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EFFECT OF AVIAN INFLUENZA OUTBREAK ON THE POULTRY INDUSTRY

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

SPECIAL HEARING

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EFFECT OF AVIAN INFLUENZA OUTBREAK ON POULTRY INDUSTRY

THURSDAY, JANUARY 26, 1984

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:40 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran and Specter.

CONGRESSIONAL WITNESSES

STATEMENTS OF:

HON. JOHN HEINZ, U.S. SENATOR FROM PENNSYLVANIA

HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The subcommittee will please come to order.

Today, the Subcommittee on Agriculture, Rural Development, and Related Agencies is holding a special hearing on problems facing the poultry industry, with particular emphasis on the serious situation resulting from the outbreak of avian influenza in Pennsylvania, Virginia, New Jersey, and Maryland. It is my understanding that the Animal and Plant Health Inspection Service and the Pennsylvania Department of Agriculture have set up a joint task force to combat the disease.

My good friend and distinguished colleague on this subcommittee from Pennsylvania, Arlen Specter, requested that this hearing be held. We were very happy to respond to his request and schedule this hearing for today.

We appreciate very much the interest that has been shown in this critical situation. We appreciate your attendance at this hearing, and we especially appreciate the administration officials who have cooperated with the subcommittee and who are represented here today.

Senators John Heinz from Pennsylvania and John Warner from Virginia have also expressed to me their serious concern about this problem and the fact that the Government has to move immediately to help solve the dilemma that we face in the poultry industry.

This disease poses a serious threat, particularly to Pennsylvania. It is my understanding that its $400 million poultry industry is in serious jeopardy. It is at the request of the Senators from Pennsylvania that we have invited witnesses from that State to be here with us today to help us better understand the problem.

On November 9, Secretary of Agriculture John Block declared an extraordinary emergency to counteract the avian influenza outbreak in Pennsylvania. Federal funds and personnel have been made available to deal with the problem. In order to more fully review and understand the role of the Federal Government in this situation, the subcommittee has invited Bill McMillan, Assistant Secretary of Agriculture for Marketing and Inspection Services, to appear here today, and we appreciate his attendance. He has with him representatives from the Animal and Plant Health Inspection Service, the Agricultural Research Service, and the Farmers Home Administration. We appreciate the cooperation of all of these individuals.

We also have other outside witnesses today, and we thank you for your cooperation with the subcommittee.

I want to welcome all of you to this hearing. It is not going to be possible for me to be here very long, so I have invited Senator Specter to chair this hearing. He is a member of the Subcommittee on Agriculture Appropriations and, of course, is very deeply interested in these problems.

Senator Specter, I am going to turn this over to you. You may proceed.

SENATOR SPECTER'S OPENING STATEMENT

Senator SPECTER. Thank you very much, Mr. Chairman. I very much appreciate the cooperation of Senator Cochran in agreeing to schedule this hearing. As soon as the avian influenza became a problem in central Pennsylvania last fall, I contacted Senator Cochran and made him aware of this problem and requested that this Agriculture Subcommittee of the Appropriations Committee have hearings, which we scheduled within the next 8 days, in mid-November—November 17th, to be exact. They were postponed when the issue arose as to whether the publicity might be unduly problemsome for the poultry producers, and whether it would be preferable not to focus that extra publicity at that time. We then rescheduled the hearings for the first week after reconvening of the Congress.

The hearings today come at a very critical moment since just yesterday Senator Heinz, Senator Cochran, Senator Warner, and some of the rest of us, were advised by the U.S. Department of Agriculture that there is now a major shift in the Agriculture Department's approach to the problem of avian flu; that whereas in the past only highly pathogenic flocks had been depopulated, now the standard is going to be shifted and flocks with the lower form of the avian flu disease will be depopulated. As I understand it, that decision is really cataclysmic—catastrophic for the poultry industry in the State of Pennsylvania, which is an industry that amounts to over $400 million a year.

The compensation which is then paid to the farmers who have had their flocks depopulated by the Federal Government is not their real loss. It is calculated simply on the basis of what it costs to buy the birds. It does not take into account the current fair market value, which would include the income-producing ability of those birds.

There is authority, a judicial decision, for the proposition that farmers under like circumstances are entitled to be compensated for their real losses. The purpose of this hearing is to explore what the losses are, what adequate compensation would be, and what is an appropriate standard when you are facing a national problem or an epidemic, as to what ought to be paid to those who have been asked to have their property sacrificed for the national interest.

This is a matter that does have national ramifications. I was advised yesterday that the avian flu is in Maryland now; it is in Virginia now; it has potentiality to go nationwide. We have enormous flocks and a $9.5 billion industry. The problem has importance far beyond the confines of Pennsylvania. In North Carolina, Georgia, and even Mississippi, there are poultry producers who are directly threatened by the disease. Virtually all the States of the United States have a poultry industry, and you can be assured that they are monitoring these proceedings today with a great deal of interest.

As a matter of basic fairness, it is the judgment of many of us that Pennsylvania's farmers ought to be compensated for what they are really losing. So this hearing comes at a very opportune time.

Ladies and gentlemen, I might say that a moment ago, Senator Cochran and I took into account the large number of people present here, and we have tried to see if a larger room down the corridor was open, and it was not. We are continuing our efforts to see if we can find a bigger room. We don't like to invite you to Washington, D.C. and have you stand. But in a sense, the standing-room-only hearing room is indicative of the very intense problem. We want you to know we have made that effort, and we will continue to try to find a room which will accommodate the group.

In light of the fact that so many are standing, I think that will be inspirational for all of us to be somewhat briefer in our approach to the problem. [Laughter.]

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you.

INTRODUCTION OF SENATOR HEINZ

Senator SPECTER [presiding]. I would like to call the first witness. First on the witness list is my distinguished colleague, who has spent a great deal of time on this problem, took the leadership and initiative at the outset of this matter, and convened the first hearing in his office in early November. He brought together Department of Agriculture officials and the congressional delegation, demonstrating leadership as he has repeatedly on the problems of Pennsylvania. We call now on Senator John Heinz.

Senator HEINZ. Mr. Chairman, I thank you. You are making me blush.

AVIAN INFLUENZA EPIDEMIC

I want to commend you, Senator Specter, and Senator Cochran, for organizing and calling this hearing. We are very deeply grateful to you both for the opportunity to testify today on the avian influenza epidemic in Pennsylvania.

Mr. Chairman, the purpose of this hearing is to discuss this devastating problem which is facing our poultry industry, but as you correctly pointed out, this is not just a Pennsylvania problem; this threatens to be a national problem as well.

As most people know, the first outbreak of avian influenza was discovered in Lancaster County in mid-April. That strain—the low-pathogenic strain—was relatively mild, but by late October the virus changed, mutated, and became highly fatal. Although the Pennsylvania Department of Agriculture, which will be testifying later today, took action to control the disease by instituting a quarantine, the virulent, deadly form of the disease continued to spread, and by early November over 1 million chickens had died. On November 4, as you were kind enough to mention, subsequent to your and my meeting with the USDA, Congressman Goodling and Congressman Gekas, and others, in my office, the USDA imposed a Federal quarantine and stopped the sale and movement of live birds from Pennsylvania unless approved by a strict permit system.

I am going to skip over some of the history here, Mr. Chairman, and get to the problem.

INDEMNITY PROGRAM

When the Federal indemnity program went into effect late last fall, the program provided, first, for the destruction of all birds infected by the high-path virus; and, second, it paid the farmers for the repopulation of their flocks based on the concept of replacement value.

The aim of the program at that time, I guess as it remains today, is the total eradication of the disease.

I would be remiss if I didn't take this opportunity to commend the entire Pennsylvania congressional delegation for the way they have acted swiftly and cooperatively, and I believe that the cooperation of our delegation, including the aforenamed Congressmen and yourself, Senator, but also many others, was a key factor in obtaining the Federal funding at least for replacement value.

As was mentioned by Senator Specter a moment ago, yesterday he and I and Representative Walker met with Assistant Secretary McMillan to discuss the Department of Agriculture's intention, published in today's Federal Register, to eradicate the chicken flocks infected, not just with the serious high-path strain of influenza, but also the low-pathogenic avian influenza.

I imagine that when Secretary McMillan testifies, he will formally announce this USDA eradication program and that he intends to begin it immediately.

Mr. Chairman, let me say I have two serious concerns about this program. First, it needs to be proven—and this hearing is an important opportunity to do so, if it can be done—beyond reasonable doubt that the continued existence of the mild strain of avian influenza, if not eradicated, would prevent the total eradication of the highly pathogenic strain of avian influenza. That is point No. 1.

Point No. 2 is that any eradication program which must go hand-in-hand with an indemnification program must meet the test of fairness and effectiveness, which to me means that the indemnification program must reflect fair market value. Now let me elaborate on that last and critical point.

The proposal to eradicate the low-path virus has extremely serious economic implications for the farmers of Pennsylvania. Within the quarantine area, I understand that we have approximately 50 such flocks that have been identified as having the low-path strain—not the high-path but the low-path. But there are, presumably, potentially many more than that number that exist.

Now, if we are going to get the cooperation of farmers in identifying other flocks with low-path virus, and if it is true that we must eradicate flocks with low-path in order to kill off the high-path virus, I frankly suspect it will be very difficult to achieve that desired degree of cooperation in identifying other low-path infected flocks unless the compensation program is perceived as reasonable and fair.

As I see it, there is an even blunter issue here, and that is, that the survival of the Pennsylvania poultry industry is at stake. It can't survive this crisis without an adjustment in current indemnity prices.

SUPPLEMENTAL INDEMNITY PROGRAM

Through the existing indemnity program, Pennsylvania farmers are receiving the price of replacing their birds, but that dollar figure does not begin to reflect the true extent of their losses. Many poultry farmers, for example, have been out of production since November. I believe that the USDA must institute a supplemental indemnity program which allows the poultry farmers to safely restock and get back into break-even operation.

We are not asking to be compensated for profits. We are only asking for adequate compensation for the value of the destroyed birds. There is nobody here, I believe, who seeks any windfall at all. Equity, Mr. Chairman, also demands that the Pennsylvania farmer receive fair market value as mandated in the USDA regulation issued on November 17.

FAIR MARKET VALUE INDEMNIFICATION

I want to emphasize that there is a precedent for the use of fair market value compensation. In 1972, the U.S. Department of Agriculture implemented a fair market value program in dealing with the eradication of avian Newcastle disease in California. Under that 1972 program, farmers were paid the initial sum based on replacement value plus a supplemental payment to reflect fair market value. It is only just and fair that Pennsylvania farmers be given equal consideration today. Without fair market value indemnification, I see absolutely no future for the Pennsylvania poultry industry.

Now, Mr. Chairman, I am sure that the Department of Agriculture is aware that without the kind of fair compensation that I have described, the cooperative spirit of farmers in Pennsylvania, which has been exemplary to date, runs the risk of serious deterioration. That will only compound the problems of eliminating this disease and result in higher costs—not just administrative costs, but ultimately costs to us all, because the disease will not be eradicated and it will spread.

Some people have talked about additional low-interest loans from the Federal Government as being a solution. In my judgment, that is not a viable solution to the dilemma faced by poultry farmers in south-central and southeastern Pennsylvania. Many of them have already taken out emergency disaster loans as a consequence of our severe summer drought. They simply cannot bear the burden of any more loan payments.

Compensation at fair market value is the only solution. I will be sending a letter later this week, which I will be asking the Pennsylvania delegation and others, perhaps from Virginia and Maryland, to join, if they so desire, to the Office of Management and Budget, specifically to the Director, Dave Stockman, urging his immediate approval and release of funds to reimburse farmers at the fair market value level.

STATE FUNDS

Mr. Chairman, one last point. Since indemnification payments are not authorized for farmers who suffered losses prior to the extraordinary emergency, which was declared late last year, a number of us wrote to Governor Thornburgh in November urging that the State of Pennsylvania release State funds for retroactive payments to those farmers. I am very pleased that the Governor has asked the Pennsylvania State Legislature to provide such funds for payments in grants to reimburse farmers for the cost of cleaning and disinfecting their poultry houses. I am hopeful that that initiative will succeed.

In closing, let me stress the point that this outbreak of avian influenza is a threat not only to Pennsylvania's poultry industry but also to the poultry industry nationwide; therefore, it deserves national attention. It deserves a national remedy.

Pennsylvania farmers have already sacrificed their flocks in the larger interest of the national poultry industry by containing this debilitating virus. They are being asked to do still more. Therefore, I believe the Federal Government has a responsibility to insure the future livelihoods of these farmers and a fair treatment of these farmers. Frankly, I don't see how we can allow our farmers' futures to be trampled out of existence.

So, in sum, I think Pennsylvania farmers, who will be testifying later today, are only asking for what the law mandates and what the law is right to mandate; namely, a fair and just compensation for their destroyed birds.

Mr. Chairman, I thank you.

PREPARED STATEMENT

Senator SPECTER. Thank you very much, Senator Heinz, for that very fine statement. Your complete statement has been submitted for the record. I very much appreciate your being here.

As you and I talked earlier today and yesterday, you are cordially invited to join me on the dais for the remainder of the hearing.

Senator HEINZ. Mr. Chairman, I will not be able to take full advantage of that, because we have another hearing in Finance this morning. But I thank you.

Senator SPECTER. I know you have conflicts and other commitments as well. But the invitation remains open.

[The prepared statement of Senator Heinz follows:]

STATEMENT OF SENATOR JOHN HEINZ

MR. CHAIRMAN, members of the Subcommittee, thank you for this opportunity to testify on the avian influenza epidemic in Pennsylvania. I commend you for calling this hearing to discuss the devastating problem facing Pennsylvania's poultry industry, and the poultry industry nationwide.

As you know, the first outbreak of avian influenza was discovered in Lancaster County in mid-April. This first strain was relatively mild, but by late October, the virus changed and became highly fatal. Although the Pennsylvania Department of Agriculture took action to control the disease by instituting a quarantine, the virulent form of the disease continued to spread, and by early November, over one million chickens had died. On November 4th, USDA imposed a federal quarantine and stopped the sale and movement of the live birds from Pennsylvania, unless approved by a strict permit system.

In an effort to avert a crisis, I wrote to Secretary of Agriculture John Block, urging him to approve federal funds to implement an indemnity program. On November 8th, along with other members of the Pennsylvania Congressional Delegation, I met with Deputy Secretary of Agriculture Richard

Lyng. After this meeting, Deputy Secretary of Agriculture Richard Lyng declared a state of extraordinary emergency in Pennsylvania. As a result of this announcement, the federal government implemented an indemnity program that provides for the destruction of all infected birds and pays farmers for the repopulation of their flocks. This program's aim is the total eradication of the disease.

I would like to take this opportunity to commend the Pennsylvania Congressional Delegation for their swift action in this matter. I am quite proud of the Delegation's cooperative spirit, and believe that this cooperation was a key factor in obtaining federal funding for our farmer.

Yesterday, I, along with Senator Specter and Representative Walker, met with Assistant Secretary McMillian to discuss the eradication of flocks infected with the mild strain of the virus - low pathogenic avian influenza.

Assistant Secretary McMillian announced the USDA will begin this eradication immediately. If it is proven that the existence of the mild strain would prevent the total eradication of the disease, I would favor depopulation of these birds. However, my support would be conditional upon the implementation of an indemnity program which reflects fair market value.

This decision to eradicate the low pathogenic virus has serious economic implications for the farmers of Pennsylvania. Many of these farmers, whose flocks have been infected with low pathogenic virus, are now back in production and are recouping losses suffered during the early stages of the outbreak. Approximately 50 such flocks have been indentified, but more may exist.

The Pennsylvania poultry industry cannot survive this crisis without an adjustment in current indemnity prices. Through the existing indemnity program, Pennsylvania farmers are receiving the price of replacing their birds, but this dollar figure does not begin to reflect the true extent of their losses. Many poulty farmers have been out of production since November. I believe USDA must institute a supplemental indemnity program which allows the poultry farmers to safely restock and get back into break-even operation. We are only asking for adequate compensation for the value of the destroyed birds - we are not seeking a wind fall. Equity demands that the PA farmer receive fair market value, as mandated in the USDA regulation issued on November 17th.

In 1972, USDA did implement such a program in dealing with the eradication of Newcastle disease in California. Under the 1972 program, farmers were paid the initial sum, based on repeacement value, plus a supplemental payment to reflect fair market value. It is only just that Pennsylvania farmers be offered equal consideration. Without such payments, the Pennsylvania poultry industry will have no future.

I am sure the USDA is aware that without fair market value. the cooperative spirit of the farmers will deteriorate. This will only compound the problems of eliminating this disease, and result in higher administrative cost.

The prospect of additional low-interest loans from the federal government is not a viable solution to the dilemna faced by poultry farmers in Southeastern Pennsylvania. Many of them have already taken out Emergency Disaster Loans as a consequence of the severe summer drought -- they simply cannot bear the burden of more loan payments. Fair market value is the only solution. Therefore, I am sending a letter to OMB Director David Stockman urging his immediate approval of funds to reimburse farmers at fair market value.

Since indemnity payments are not authorized for farmers who suffered losses prior to the extraordinary emergency, I wrote to Governor Thornburgh in November urging him to release state funds for retroactive payments to these farmers. I am pleased that the Governor has written to the Pennsylvania Legislature requesting support for state legislation to provide funds for such payments and to provide grants to reimburse farmers for costs of cleaning and disinfection of their poultry houses. I am hopeful that the Governor will help these farmers.

In conclusion, let me stress the point that this outbreak of avian influenza is a threat not only to Pennsylvania's poultry industry, but to the poultry industry nationwide, and, therefore, deserves national attention and a national remedy.

Pennsylvania farmers have sacrificed their flocks in the larger interest of the national poultry industry by containing this debilitating virus. Therefore, I believe the federal government has a responsibility to ensure the future livelihoods of these farmers. Pennsylvania farmers are only asking for what the law mandates- a fair and just compensation for their destroyed birds.

INTRODUCTION OF SENATOR WARNER

Senator SPECTER. We now turn to the senior Senator from Virginia, who has demonstrated great leadership in the U.S. Senate during the course of the past 5 years. He has collaborated with this subcommittee in the past on this problem, which is a threat to his own State. He has been ever vigilant for the many problems which confront Virginia, many of them being similar to those of the Commonwealth of Pennsylvania. We are very pleased to have you here this morning, Senator Warner, and look forward to your testimony.

Senator WARNER. Thank you, Mr. Chairman. And I thank Chairman Cochran and my distinguished colleague, Mr. Heinz.

NEED FOR NATIONAL REMEDY

I would like to lift Senator Heinz's last statement and repeat it on behalf of Virginia. Indeed, this is a problem that threatens the national poultry industry and, therefore, we need a national remedy.

I appreciate the swiftness with which this committee of the U.S. Senate has proceeded to address that national remedy and an equitable formula of compensation for the growers and farmers engaged in this industry.

I think those of us here in the Senate should express appreciation to these people who have traveled, I imagine considerable distances, at personal and financial hardship, to join us here this morning.

At one time, Mr. Chairman, I actually raised turkeys. I am still engaged in agriculture; have been for a quarter of a century, and I know the problems, to some extent, of raising fowl.

Mr. Chairman, in the absence of Senator Trible, I shall represent the viewpoints of the Virginia congressional delegation. Congressman Olin is the House Member principally involved in this now, because the avian flu has appeared in his district in Virginia, fortunately in a contained and relatively small area. Nevertheless, we want to join with Pennsylvania in swiftly moving to try and block further spreading of this problem.

I want to commend the Secretary of Agriculture; his Assistant Secretary, Mr. McMillan, who will appear here this morning; Mr. McMillan's deputy, Ms. Darling; and Drs. Atwell and King of the USDA staff. They have worked very hard with the Virginia delegation and members of the Virginia poultry industry to see what could be done to formulate a plan that would be beneficial. Governor Robb and his Secretary of Commerce and Resources, Betty Deiner, have joined in this planning, such that I think Virginia is ready to fully cooperate with USDA, hopefully with Pennsylvania and other interested parties, to see what we can do to curtail a further spread of this very peculiar influenza, which I understand—and I am merely repeating what others have told me who are far better informed—has the potential for epidemic proportions similar to that experienced in the late 1920's in the United States. I join with my distinguished colleague here in advocating that the formula for compensation, be it under the doctrine of "fairness and effectiveness" or another formula, should be devised to provide a greater compensation for the farmers and growers of birds.

I say that because while the present formula, as I understand it, pays on an average of $1.82 per depopulated bird, it in no way compensates for the downtime of the plant required by USDA, understandably, to fumigate and otherwise sterilize the plant so, hopefully, it once again can produce healthy birds.

Again, since this is a potential reoccurrence of an epidemic similar to that poultry epidemic which affected the United States in 1929, we are on a learning curve as such. But very much of that learning should be the compensation formula which will enable these farmers to once again become a viable part of the industry.

LOW-P VERSUS HIGH-P STRAINS

Possibly, we may have a difference of view on the question of the low-P/high-P depopulation. Again, listening very carefully and learning from those who have spent their careers on this subject, there is a reasonable causal connection, I am told, between low-P and high-P. I understand that low-P could mask the high-P in such a way that it leaves no alternative but to depopulate low-P and high-P if we are to stamp out this problem.

I can remember very clearly the poignant testimony of one of our Virginia farmers to the Department of Agriculture. Indeed, I think it occurred on Christmas Eve, when we were meeting with officials of the Department. He said quite clearly that while the officials in Washington were quarreling over what is low-P and high-P, his birds were dying, perhaps not at a rate occasioned by high-P, but indeed at a rate which occasioned great financial and economic loss to him and posed a threat to the industry. So the birds were dead on the floor, whether due to high-P or low-P, and it was his judgment that we should move swiftly to eradicate all forms of influenza if we were to save the industry.

There is a third point, Mr. Chairman, that I would urge you and others to develop as a part of this record. We in Virginia have been informed by those best qualified to make this judgment that consumers will not be affected adversely by the consumption of either birds, eggs, or other poultry products which come from areas that may be contiguous, adjacent, or some way connected to the geographical locations of the present influenza problem. This avian influenza is not detrimental to human health. In fairness to the industry, we should stress that point so as to minimize the negative impact on not only the domestic but the foreign markets.

Last, Mr. Chairman, I wish to pay special tribute to the farmers in Virginia who have been affected by this problem. It was only yesterday that the USDA made the decision to come in and assist Virginia. That assistance will be done under the general umbrella of the extraordinary emergency declared for the State of Pennsylvania and will not require a separate declaration for the State of Virginia.

Prior to that decision, the farmers in Virginia had voluntarily moved swiftly to depopulate their flocks, at the earliest indication of a strain of this flu, be it H–P or L–P. L–P is the only one that we have isolated thus far in Virginia, so far as I know, but we went ahead on the low-P and voluntarily depopulated some of our flocks. I think that shows the spirit of cooperation within this wonderful industry of poultry growers, who are steadfast individuals, and they are willing to try and step up and stop this problem. Now it is the responsibility of those in the Congress to work with the Department of Agriculture to devise a fair and equitable program to assist them in their efforts.

I thank you, Mr. Chairman.

Senator SPECTER. Thank you very much, Senator Warner. We very much appreciate your being here and lending your support to these important issues for the poultry industry in the Nation.

Gentlemen, we appreciate your being here.

Senator HEINZ. Mr. Chairman, before we go, I would just like to elaborate on one thing that Senator Warner quite correctly pointed out when he said that the cost of replacement at $1.82 doesn't take into account the length of time it takes to get a bird back laying and into production.

Our compensation laws for this kind of problem were written really with a very different kind of animal in mind. They principally had livestock in mind, and livestock in which the value of the product, in fact, was the animal. The products of raising hogs are hams, bacon, and sowbellies and you get them when the animal is available and has passed the test of slaughter.

With respect to poultry, the product that you sell, of course, is eggs, a very important product to us all, and that is the product that is not being recognized by the current indemnification program.

So while it may be fair to pay for the replacement value of a hog or a calf or a cow, in the case of a chicken, a laying animal, it is not fair. It does not represent the same equivalency. That is why the indemnification program must be adjusted.

I thank Senator Warner for bringing up that point.

Senator WARNER. Thank you.

Mr. Chairman, I think the committee will receive some very, very fine expert testimony from USDA, again from Secretary McMillan and his colleagues. They have worked very long and hard on this program and are prepared to inform this committee in a competent way with respect to their recommendation.

I support the action taken by USDA yesterday, because this problem is moving so swiftly that if we don't contain it now in Virginia, we could experience a greater magnitude of difficulty as has your distinguished State. I wish you the very best, and particularly those present in the room today who are suffering or will potentially suffer a loss and suggest we move swiftly.

Senator SPECTER. Thank you very much, Senator. Thank you, Senator Heinz.

DEPARTMENT OF AGRICULTURE

STATEMENT OF C. W. McMILLAN, ASSISTANT SECRETARY FOR MARKETING AND INSPECTION SERVICES

ACCOMPANIED BY:

- **JAMES H. JOHNSON, DEPUTY UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT**
- **KAREN DARLING, DEPUTY ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICES**
- **JOHN K. ATWELL, DEPUTY ADMINISTRATOR FOR VETERINARY SERVICES, ANIMAL AND PLANT HEALTH INSPECTION SERVICE**
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- **CHARLES W. BEARD, DIRECTOR, SOUTHEASTERN POULTRY RESEARCH LABORATORY, AGRICULTURAL RESEARCH SERVICE**
- **SAM LADD, DIRECTOR, BUDGET AND ACCOUNTING DIVISION, ANIMAL AND PLANT HEALTH INSPECTION SERVICE**

INTRODUCTION OF WITNESSES

Senator SPECTER. I would now like to call the representatives of the Department of Agriculture: Assistant Secretary C. W. McMillan; Deputy Under Secretary James Johnson; Deputy Assistant Secretary Karen Darling; Deputy Administrator John Atwell; Assistant Deputy Administrator Dr. E. C. Sharman of the Animal and Plant Health In-spection Service (APHIS); Director Charles Beard; and Budget Director Sam Ladd.

On behalf of the Subcommittee on Agriculture of the Senate Appropriations Committee, we express our gratitude to the U.S. Department of Agriculture for your cooperation in working with the committee and for your excellent help in providing information on an informal basis. We have met on a number of occasions, and Assistant Secretary McMillan has been most cooperative in bringing this information to Senator Heinz, Senator Warner, and members of the Pennsylvania delegation, and is available generally to respond. These are very difficult issues and the U.S. Department of Agriculture has responded very promptly. We are seeking a common solution to a very, very difficult problem. So we welcome you here, ladies and gentlemen.

Secretary McMillan, we turn to you for your testimony.

PREPARED STATEMENT

Mr. McMillan. Thank you very much, Senator.

I have a brief prepared statement. I will request that it be inserted in the record while I talk extemporaneously in the interest of time.

Senator Specter. All statements will be inserted in the record in full. It is our preference that summaries be made, leaving more opportunity for questions and answers.

Mr. McMillan. Thank you.

[The statement follows:]

Statement of C. W. McMillan

Mr. Chairman and members of the committee, it is a pleasure to appear before you today to present the status of the avian influenza problem that presently is impacting our poultry industry in several eastern States.

A mildly pathogenic strain of avian influenza which does occur in turkeys, thought to be self-limiting, was first found in poultry flocks of southeastern Pennsylvania in April 1983.

In mid-October some flock mortality climbed to an alarming 40 percent. We convened an advisory committee of Federal, State, industry, and scientific experts in the influenza and poultry fields.

This advisory committee recommended that a Federal quarantine be placed on the affected areas of Pennsylvania and New Jersey and a task force be assembled to begin an eradication effort of this highly pathogenic strain. A few isolated cases of the mild form of avian influenza occurred in Maryland and Virginia and the affected flocks were immediately depopulated by their respective States.

In light of recently developed information about this strain of avian influenza, the advisory committee recommended eradication of all the H–5 avian influenza related to the Pennsylvania outbreak

There has been excellent cooperation among Federal, State, university, and industry participants in the eradication effort. This has included the Department of Defense with equipment and personnel; the State of Pennsylvania with facilities and personnel; the industry leaders serving on the task force; and the poultry farmers. We have daily contact with those most affected and incorporate into our discussions the options and recommendations of what must be accomplished and how it should be done.

Since today's meeting is to examine the use of Federal resources to fight avian influenza, there are several points of immediate interest. First, well over half of the USDA spending to date has gone for indemnity payments to owners of flocks which had to be destroyed. Our economics staff developed a scale based on average costs for various types of poultry from annual statistical reports for the use of the appraisal teams. I am informed that some companies which received indemnities as owners have passed portions to the contract growers who must pay for the cleanup of their facilities.

Through the cleanup process the industry is bearing a part of the resource burden to eliminate the problem. Costs for cleaning of premises, disinfection of vehicles, and loss of profits are all shouldered by the producers. These expenses run into the millions of dollars. We appreciate the industry recognition of the problem and cooperation that success requires.

We have many positive actions to describe to you, but I cannot tell you precisely when our mission will be accomplished. Additional funding has just been approved by the Office of Management and Budget. This will allow us to accelerate the program to remove sources of spread. The nature of the disease complicates containment and requires steady vigilance in and around the quarantine zone.

At this point, I will turn the discussion over to the Administrator for APHIS and his staff, to give you a thorough briefing on the avian influenza program. We will be pleased following this presentation to answer any questions you may have.

USDA INVOLVEMENT

Mr. McMILLAN. I will not restate many of the things said quite accurately on your part and the part of Senators Heinz and Warner. I might expand just a little bit on some of the issues pending today.

First, I want at the outset to express the appreciation of the USDA for the excellent cooperation that we have received from the State of Pennsylvania, particularly from the Pennsylvania Department of Agriculture and its Secretary, Penny Hallowell. He has been extremely cooperative and helpful in this program. I would be remiss if I did not say how much we appreciate it.

It might be helpful in the way of background to indicate how the USDA got involved in eradicating avian influenza. I think it would help everybody in better understanding the situation.

As has been stated, the low-pathogenic form of avian influenza appeared in Pennsylvania last April. Then in October a virulent strain developed which is referred to as highly pathogenic. It was at that point that the Pennsylvania Department of Agriculture requested the assistance of the U.S. Department of Agriculture because of the virulent nature of the disease and the potential for spread to other important poultry producing States.

I might say, too, that the U.S. Department of Agriculture has no statutory authority to establish quarantines on intrastate movement on an issue such as this. We must rely upon the State, in this case on the Pennsylvania Department of Agriculture, to establish and enforce intrastate quarantines. When the product gets into interstate commerce, then the statutory authority does exist for the U.S. Department of Agriculture to act. But we must rely upon the State to maintain its area quarantine. It is important that that point be made.

Then there is the question of declaring an emergency. There are two types of emergency declarations: regular emergencies and extraordinary emergencies. Under the regulations that the USDA operates, in a regular emergency 50 percent of the contributions for the payment of indemnity must come from either the State or private sources, with the balance coming from the Federal Government.

We received a telegram from Governor Thornburgh to the effect that the State of Pennsylvania could not participate to the extent of the 50 percent necessary under a normal emergency situation. Therefore, the Secretary exercised his statutory authority, because of the virulent nature of the highly pathogenic avian influenza present in Pennsylvania, to declare an extraordinary emergency which provided the opportunity for the Secretary to draw upon funds anywhere within the Department of Agriculture in order to pay for 100 percent of compensation in the form of indemnity for depopulation of the affected birds. In this case, the money is being transferred from Commodity Credit Corporation funds.

All of the decisions made by the USDA, in consultation with the industry and with the Pennsylvania officials, have been based upon scientific recommendations. Early in October, a group of scientists and industry people met with us and the Pennsylvania Department of Agriculture. At that point, their recommendation, scientifically based, was that we should immediately move in and depopulate those flocks infected with the highly pathogenic avian influenza. There were certain other recommendations to control the movement of poultry products from that area.

Subsequently, there have been further meetings of the scientific people. One of these is Dr. Beard, who is one of the foremost poultry disease experts in the United States. He is a member of the Department's Agricultural Research Service, and you will be hearing from him shortly.

At these subsequent meetings, concern has been expressed on the part of our scientific advisers that low-path and high-path avian influenza can exist side-by-side in the same flocks, with the low-path masking the presence of the high-path and interfering with our ability to eradicate it. Therefore, the recommendation was made by them that we immediately move in and depopulate flocks that we can identify as having the low-pathogenic form.

ERADICATION OF HIGH-PATHOGENIC FORM

Senator SPECTER. Mr. Secretary, this might be a good time to get into the details of that. As we talked yesterday at our informal meeting, would Dr. Beard be the preferable witness on that subject?

Mr. MCMILLAN. I think he is, without question, Senator, the best expert we have on the disease.

Senator SPECTER. If it is agreeable with you, why don't we turn to Dr. Beard at this time.

Mr. MCMILLAN. Fine.

Senator SPECTER. The first question I would like to address, Dr. Beard, is: What was the old standard for determining that the flocks with the highly pathogenic denomination would be eradicated? Originally, it was high pathogenic only and not low pathogenic. Why did you at one time decide that was sufficient?

Dr. BEARD. Senator, I think the committee felt that the most urgent hazard to the Nation's poultry industry was the highly pathogenic strain.

Senator SPECTER. How do you define a highly pathogenic strain?

Dr. BEARD. Therein lies much of the problem.

Senator SPECTER. When you say the committee, whom are you referring to?

Dr. BEARD. I am referring to the scientists that the Department brought in for advice on this subject—knowledgeable people in avian influenza, researchers.

Senator SPECTER. Who were they?

Dr. ATWELL. Dr. Frank Hayes, director of the Southeastern Cooperative Wildlife Disease Association; Dr. Robert Webster, director of the World Health Organization Influenza Reference Center at St. Jude Children's Hospital in Memphis; Dr. Bernard Easterday, dean of the

College of Veterinary Medicine, University of Wisconsin and long-term influenza researcher; Dr. Frank Craig, director of poultry health for Perdue Poultry, Salisbury, Md.; Dr. Richard McCapes, director of research for the College of Veterinary Medicine, University of California, Davis, Calif.; Dr. Ray Bankowski, professor in the College of Veterinary Medicine, University of California, Davis, Calif.; Dr. Leland Grumbles, chairman of the Department of Microbiology, Texas A&M University; Dr. Harry Goldstein, State veterinarian for Ohio; Dr. Ben Pomeroy, professor at the College of Veterinary Medicine, University of Minnesota, St. Paul, Minn.—most of his professional career has been devoted to poultry diseases, especially diseases of turkeys; and Dr. Charles Beard, Director of the Southeast Poultry Research Laboratory of the Agricultural Research Service, USDA, Athens, Ga.

We felt, Senator, these were probably the best experts in the United States and probably in the world to give advice to the United States.

Senator SPECTER. When was this group first convened, Dr. Beard?

Dr. BEARD. In October.

Senator SPECTER. At that time, the determination was made that if flocks with highly pathogenic flu were depopulated, it was sufficient?

Dr. BEARD. At that moment it was sufficient. We also qualified the recommendation to indicate that we should reassemble when we see what happens with this effort and look at the situation. We thought, perhaps, the control measures implemented to eradicate the high-path might indeed also get rid of the low-path. We had very little knowledge about what was going to develop. But it was very obvious to us that the highly pathogenic, the highly lethal virus, should be the first to go. You have a logistical problem, because you can only put so many people in the field. We really wanted to get the worst out of the way first. That basically was the philosophy.

We did not at that time intend to say the low-path was acceptable. That was not the intention of the committee. That is so stated in its recommendation.

Senator SPECTER. But you did come to the conclusion that the low-pathogenic flocks did not have to be destroyed at that time?

Dr. BEARD. At that time, yes, sir.

ERADICATION OF LOW-PATHOGENIC FORM

Senator SPECTER. What was it which changed your conclusion to require that the low-pathogenic flocks be destroyed as well?

Dr. BEARD. Initially, the laboratory results coming back on isolates which had been sent to the laboratory for classification as to high-path or low-path, were on either end of the spectrum. They were either very clearly highly pathogenic or very clearly nonpathogenic or low pathogenic.

That distinction faded with time. Technically, you have to kill six of eight birds in the laboratory for it to be high-path.

Then many flock isolates started coming back killing four out of eight or three out of eight or two out of eight. It became very fuzzy, and the distinction between the high-path and the low-path lost its preciseness.

One other complication was apparent when a flock suffering severe mortality in the field yielded isolates that upon laboratory analysis might come back low-path, whereas the field experience was a disaster.

Senator SPECTER. Would you define isolate, please, for the record?

Dr. BEARD. Yes; you would take a swab or tissue from sick birds and inject that material into embryonating eggs in the laboratory. The virus replicates and you identify it. That is a virus isolation or isolate.

Senator SPECTER. That is when you apply it to how many birds, eight or more than eight?

Dr. BEARD. Yes; that goes into eight birds. This was agreed upon at an International Avian Influenza Symposium held in Beltsville, Md., about 2 years ago. That was a rather arbitrary decision. I might add at that time that the world had not experienced, in recent years, the kind of outbreak that is going on in Pennsylvania. This influenza problem in chickens in Pennsylvania is unique to modern times.

PREVIOUS OUTBREAKS OF AVIAN INFLUENZA

Senator SPECTER. Was it ever experienced before?

Dr. BEARD. Yes.

Senator SPECTER. When?

Dr. BEARD. In 1929. It was a very limited outbreak in New Jersey in one county. At that time the disease was called fowl plague. Prior to that, in years 1924–25, it spread to many States, as far west as Missouri. Fowl plague has caused the poultry industry problems since the 1800's. This disease we are talking about in Pennsylvania is not technically fowl plaque because of a serologic difference. Clinically, it is indistinguishable. It is a disease that is not tolerated in the world's poultry industries.

Senator SPECTER. So you are saying that since 1929 until 1983, there was no outbreak of avian flu?

Dr. BEARD. No, sir, that is not what I am saying. We have had avian influenza problems in turkeys in this country since the mid-1960's. That is also true in Canada and many other places in the world. The disease in turkeys has ranged from no disease at all, just infection and antibody development, serologic conversion, to variable levels of mortality. They have not experienced the fowl plague type of illness that is going on in Pennsylvania. It has been almost an annual problem in some areas of the turkey industry; not in the South and not in the East, but primarily in the Midwest and the West.

Senator SPECTER. Has the experience with avian flu since 1929 been limited to the turkey instances which you have just described?

Dr. BEARD. With two very limited exceptions. There was one small outbreak in Alabama in 1975 with an H–4 virus. We are talking about an H–5 virus in Pennsylvania. That outbreak was very limited, did not spread and did not exhibit the same kind of disease that is seen in Pennsylvania.

Senator SPECTER. How do you distinguish H–4 from H–5?

Dr. BEARD. It is based on a serologic test called a hemagglutination-inhibition test. There are about 11 of these subtypes or "H" types of the avian influenza.

Senator SPECTER. What is the consequence of the difference between H–4 and H–5?

Dr. BEARD. From a disease standpoint, nothing. At one time fowl plague had to be H–7.

Senator SPECTER. Are these denominations in increasing order of seriousness?

Dr. BEARD. No, sir. They have nothing to do with the seriousness. There are pathogenic and nonpathogenic members of each subtype.

Senator SPECTER. You were starting to say there were two instances and one was 1975 in Alabama with H–4, and what was the second?

Dr. BEARD. The second was one three-house flock in Minnesota in 1979, and it was not H–5 either.

Senator SPECTER. What was it?

Dr. BEARD. It was H–6. It was limited to those houses in chickens.

Senator SPECTER. What action was taken by the U.S. Department of Agriculture in 1975 in Alabama?

Dr. BEARD. I will have to defer to the regulatory people.

Dr. ATWELL. At that time, in an attempt to determine whether this was a highly pathogenic influenza, we took specimens from that flock, took them to the laboratory, and injected them into poultry. These did not kill the poultry in the laboratory.

Senator SPECTER. What I am looking for is the compensation issue. What compensation was granted by the Department of Agriculture?

Dr. ATWELL. None was granted at all in the case in Alabama or the case in Minnesota, because we did not determine that it was a highly pathogenic strain of avian flu.

Senator SPECTER. So there was no flock destruction at that time?

Dr. ATWELL. No flock destruction by the Federal Government, that is correct. I can't say whether those flocks were actually destroyed and buried or went to slaughter. I don't recall the exact details.

Senator SPECTER. Was there flock destruction in 1929?

Dr. ATWELL. Yes, there was; and there was Government involvement in that.

Senator SPECTER. What was the compensation paid in 1929?

Dr. ATWELL. I do not have that, Senator. We can determine that.

Senator SPECTER. Can you provide that for us?

Dr. ATWELL. Yes, we can.

[The information follows:]

We have searched the payment records available in the Agency, as well as those in the National Agricultural Library and the National Archives, and can locate no records indicating that Federal indemnity was paid combating the 1929 European fowl pest outbreak.

Senator SPECTER. What you are testifying to, then, Dr. Beard and Dr. Atwell, is that between 1929 and the present time there has not been flock destruction as a result of avian influenza?

Dr. BEARD. Yes; to my knowledge, that is absolutely correct.

INDEMNITY PAYMENTS

Senator SPECTER. You were up to the point as to the shift in consequence on high pathogenic as opposed to low pathogenic.

Let me back up just a minute. I understand that the Federal Register did not contain the information this morning, Mr. Secretary.

Mr. MCMILLAN. In that case, it didn't arrive in time for it to be published today. It was sent over yesterday. It will be in there tomorrow.

Senator SPECTER. Would you state for the record what you had sent over for the Register?

Mr. MCMILLAN. Yes; the Register notice states that we are going to depopulate flocks with the low-pathogenic form where it is determined that the low-pathogenic form exists, whether in Pennsylvania or where the infection can be traced to the Pennsylvania outbreak. These include the cases in Virginia and one flock in Maryland which was depopulated last night.

Senator SPECTER. Are you saying then that if the low-pathogenic form of avian influenza appears in a flock of birds, but it is not traceable to Pennsylvania, those flocks will not be destroyed?

Mr. MCMILLAN. That is correct.

HIGH- AND LOW-PATHOGENIC DISTINCTIONS

Senator SPECTER. Why is that distinction made?

Mr. MCMILLAN. The distinction is made primarily because of the existence of low-pathogenic avian influenza in turkeys in a few flocks in Minnesota and in California. We can rely on Dr. Beard for further information——

Senator SPECTER. If he has the information, let's go to him.

Dr. Beard, the question pending is, Why the change?

Dr. BEARD. To include low-path?

Senator SPECTER. To eradicate flocks with low-pathogenic virus.

Dr. BEARD. There are several answers to that. No. 1, the coexistence of low-path virus in the quarantined area will make the detection and eradication of the high-path virus more difficult. The low-path virus would act as a live vaccine and mask the disease effects of the high-path virus.

There is concern that the incident that occurred in October, when there was a dramatic shift in the kind of disease produced by this virus could occur again. I might add, serologically it appears to be the same virus, H-5, N-2.

Senator SPECTER. What incident are you referring to now?

Dr. BEARD. The change from the low-path to the high-path. You see, Pennsylvania had a low-path virus in their industry in chickens since April 1983. And in October there was a dramatic change in the kind of disease they began to see.

What essentially happened is that they have both types of diseases occurring at the same time in that area. The Department has subsequently isolated viruses from the same flock, one being high-path and one being low-path. The flock can appear healthy, can be productive, but it is also infected with high-path virus and is shedding that virus.

Senator SPECTER. When you say shedding that virus, what do you mean by that?

Dr. BEARD. The virus is shed in the feces and in the respiratory secretions.

Senator SPECTER. That is the way it is transmitted?

Dr. BEARD. Yes, sir.

Senator SPECTER. The first two factors that you described were present last October: the coexistence of the low-path and high-path and the hard to detect aspect, and the low-path operating as a vaccine. Those were present in October as well as at the end of January, that is, now, weren't they?

Dr. BEARD. Yes, sir.

CHANGE IN STANDARDS

Senator SPECTER. So the only real shift in the situation is your third point, that since you found a shift from low-path which had been in effect since April, to high-path in October, that that trend is causing your current concern and your change in standard?

Dr. BEARD. There is another factor that I need to mention. I mentioned earlier, too, that the precision of the differentiation between the high-path and the low-path, as we gained experience with this characterization in the laboratory, we realized that there was not a clear distinction, there was a spectrum of virulence, that the six out of eight was probably not an appropriate cutoff. A classical problem with avian influenza has been our inability in the laboratory to duplicate field disease.

If you see a disease in the field where there might be 50 percent mortality of a flock, you can take that virus into the laboratory and you may kill no birds that you inoculate in the laboratory. We don't understand why this is. There are many things we don't know about avian influenza. It is a very complex problem.

Senator SPECTER. So when you are talking about the variation between laboratory and field consequences, as you say, you are dealing with a subject you really don't understand, and you are being on the safe side, that if you can't identify it in the laboratory, to take more strenuous precautionary action in the field?

Dr. BEARD. It would take a brave scientist to disregard a 50- or 60-percent mortality rate in the field and tell someone based on laboratory inoculations that they don't have anything to worry about, or that this is not a virulent virus. [Laughter.] This has historically been one of the problems. We don't understand it.

Senator SPECTER. When you talk about 50 or 60 percent, you had testified the cutoff between low and high had been 75 percent—six out of eight.

Dr. BEARD. That is in the laboratory.

Senator SPECTER. Yes.

Dr. BEARD. Yes.

Senator SPECTER. If you found 50 percent in the laboratory, you wouldn't have classified it as high pathogenic before; is that right?

Dr. BEARD. That is correct.

Senator SPECTER. So if it was 50 or 60 percent in the laboratory and 50 or 60 percent in the field before, you weren't depopulating those flocks?

Dr. BEARD. I think many of the flocks were depopulated on clinical disease where they found high mortality. They would certainly not wait for 75-percent mortality to take a flock.

Senator SPECTER. That is what I am trying to understand. What I am trying to understand is where is your standard? If your standard is 75 percent, I can understand that. But if your standard is 50 or 60 percent, then I don't understand it.

Dr. BEARD. I was defining high-path virus for you a moment ago when I told you it must kill six of eight chickens, within 8 days, 4 to 8 weeks old in the laboratory. That is the definition as to the high-path virus based on the recommendation of the International Symposium. When you find a flock dying of a viral disease at 40 or 50 percent in the field, that is a highly pathogenic virus. So we are dealing with semantics. A high-path influenza virus is one thing based on lab evaluation and perhaps another in the field. As to clinical disease in the field, you would certainly call flocks dying at 50 or 60 percent dying of a highly pathogenic virus. So it is a problem of definition more than anything.

Senator SPECTER. That is what I am trying to get at. I don't understand why the definition would be 75 percent on one side and 40 or 50 percent on the other.

Dr. BEARD. Well, as I said a moment ago, it is very difficult to relate laboratory findings to field findings. Field birds many times are infected with other disease agents besides the particular agent you are using. Laboratory studies many times are done with absolutely disease-free birds. The virus is injected in the laboratory birds. It is not injected into field birds. There are many variables.

TERMINOLOGY

If I may, I would like to go back to this high-path definition. This came about when the discovery was made that other avian influenza viruses caused severe problems besides the classical fowl plague virus. Now, internationally, in regulatory veterinary medicine, countries have embargoes on other countries that have fowl plague. When you define fowl plague technically, that says it has to be H–7. But we knew that there were other viruses besides H–7 that caused fowl plague-like disease. They were not technically fowl plague, however.

So we assembled the symposium at Beltsville to try to deal with this issue and come up with terminology that would be accurate and acceptable; would allow international commerce to continue, so that there would not be unfair or unnecessary embargoes placed; when embargoes were necessary, they could be placed.

One recommendation of that symposium was the high-path definition that I just described to you. Quite frankly, I think that definition needs reexamining. There had been very little experience on which to base a definition before that symposium. As I indicated, this is a unique experience in Pennsylvania.

I think, based on the experience in Pennsylvania, it is very likely that that definition will be revised.

Senator SPECTER. What is your judgment as to what it will be revised to?

Dr. BEARD. I think it will be revised down. If you kill birds in the laboratory at a much lower incidence than 75 percent, I think that is going to be a highly pathogenic virus.

Senator SPECTER. Right now the standard is the 75-percent standard?

Dr. BEARD. Yes; I might add, to define a virus as highly pathogenic may require that the clinical experience in the field be included as well as the laboratory tests.

Senator SPECTER. As of this moment, the clinical experience in the field is not included?

Dr. BEARD. The regulatory people do consider it, yes, sir.

Senator SPECTER. They do?

Dr. BEARD. Yes, sir.

Dr. ATWELL. Excuse me, Senator. If I might comment on that. To clarify, when we made the decision to go into Pennsylvania and take those high-pathogenic flocks, the decision was made that we would take those flocks based on clinical observations in the field and not wait for the laboratory confirmation.

CLINICAL OBSERVATION

Senator SPECTER. What standard did you use?

Dr. ATWELL. We use a standard that is based on what the diagnosticians see in the field in the way of symptoms of the birds and the death losses occurring.

Senator SPECTER. What kinds of symptoms and what kind of death loss?

Dr. ATWELL. The kinds of symptoms are cyanotic combs, swollen heads, nasal discharge, and dead birds.

Senator SPECTER. How many of those?

Dr. ATWELL. You look for all of those signs.

Senator SPECTER. In how many birds? Do you find them uniformly in most of the birds of a flock?

Dr. ATWELL. No; hopefully, you wouldn't get into a flock that late. If you find a flock that is in the midst of the most severe area, you may find 30 or 40 percent of the birds affected. But we get into some of those flocks quite early on now in Pennsylvania. If they see the symptoms we are looking for, the drop in egg production has started, and our diagnosticians say this is highly pathogenic avian influenza, we go ahead and classify that as highly pathogenic avian flu and take that flock, even though we have not confirmed that yet in the laboratory.

The rationale behind this policy is that to confirm it in the laboratory takes several days.

Senator SPECTER. How long?

Dr. ATWELL. It may take as long as 5 or 6 days in the laboratory, because you must inject the chickens and then see how many of the chickens die to make a laboratory determination, as Dr. Beard has indicated.

Senator SPECTER. Has there been any situation where the poultry industry owner whose property you are acting on has disagreed with your findings?

Dr. ATWELL. When you say disagreed, I am not sure we have had any that have disagreed with our findings. We have not had any resistance in taking those we have classified as highly pathogenic.

I want to add something here. The cooperation of the industry in the State of Pennsylvania has been exemplary.

ECONOMIC ISSUES

Senator SPECTER. Have you now, Dr. Beard, finished the definitions of the reasons for the change in procedure?

Dr. BEARD. I think there is one other definition or reason I need to put forward. I think if the industry in Pennsylvania leaves the low-path, that it will be very difficult to assure anyone who buys Pennsylvania poultry that the high-path is all gone, that poultry from that area is safe. I think there will be trade restrictions imposed on any area where people decide to try to eradicate the high-path and coexist with the low-path. Technically, I think it will be very diffcult to achieve. If they do achieve it, I am not sure they will convince many people that they have been successful.

Senator SPECTER. You are satisfied that by following whatever the U.S. Department of Agriculture has decided upon and ruled upon that the balance of the poultry being produced in Pennsylvania, Virginia, and Maryland is safe for consumption?

Dr. BEARD. Absolutely. I am saying that I think it will be very difficult to remove the high-path from that area and leave the low-path. That is what I am saying.

Senator SPECTER. The question comes back to why did you feel you could do that in October?

Dr. BEARD. We know a lot more now than we knew in October.

Senator SPECTER. But you were satisfied in October that on the removal of the high-path, and leaving the low-path, it was safe to have consumption of that which was left?

Dr. BEARD. The consumption was not the problem, no, sir.

Senator SPECTER. The consumer was protected in October and the consumer is protected now?

Dr. BEARD. Yes; that is not a concern.

Senator SPECTER. You have identified four factors. Two of the factors, as we have already agreed, were in effect in October. That is the coexistence, making it hard to detect; and the low-P operating as a vaccine. Those were present in October. Those are present in January. Those two were not enough to lead you to a different standard. The latter two that you quote as factors were sufficient to change your standards. That there has been a dramatic shift since October, from October to January, is your third factor. The fourth factor is that you have found it difficult to distinguish between what you find in the laboratory as opposed to what you find in the field, and Pennsylvania is a unique problem. You have had very little experience with the avian flu over the years. So what it boils down to is that you feel constrained to do this as a matter of a very conservative approach to deal with the problem.

Dr. BEARD. If we make a mistake, Senator, it better be on the safe side. If this disease gets widespread in the U.S. poultry industry, it will be a veritable disaster. It could, in fact, have a serious impact on the availability of animal protein for the diets of the consuming public.

Senator SPECTER. I am not disagreeing in any way with your conclusion. What I am trying to understand is the factual basis for arriving at it—to isolate it, because I think this has a bearing on how you treat the people whose property you are taking. You cannot say in a clearcut way that these poultry producers with low pathogenic are producing chickens which ought not to stay in production. What you are saying is that there is enough of a risk, as you have reevaluated the picture since October, dealing in an uncharted field, that you want to be very safe. You want to be conservative and err on the side of taking more than may be necessary as opposed to letting anything slip through.

Dr. BEARD. That is correct.

VACCINATION

Senator SPECTER. I think that brings us to the question of compensation, Mr. Secretary.

Mr. MCMILLAN. Senator, if I might interject. In our discussion yesterday, you raised a question about vaccination. I think that it might be appropriate, while we are hearing from Dr. Beard, to have him make a few comments or answer any questions you might have in that context.

Senator SPECTER. I would be pleased to hear that.

Dr. BEARD. The vaccine issue is about as complicated as the high-path and low-path one, but if you will bear with me, we will get through it.

One of the problems is that in our laboratory—in fact, I have personally worked on it—is the development of an inactivated oil emulsion vaccine. To sit here and tell you I don't advocate its use sounds like a conflict in beliefs, but it is not. There is a time and place for everything, and this is not the time for the use of vaccine in the eradication effort in Pennsylvania. Hopefully, I can explain to you why.

Vaccine will protect turkeys and chickens against the severe disease losses induced by influenza. On a flock basis, it does not protect them, however, from becoming infected and shedding the virus. Vaccine will take away the rapid discovery of diseased flocks in an eradication effort. The flocks can be infected and shedding, and it will be hard to locate and diagnose them. It also removes from the eradication authorities the use of a serologic test to indicate that this flock has or has not been infected with influenza in recent times.

Vaccine probably will not be effective in the broiler industry because of the short time period broilers live before they are slaughtered. By regulation, you cannot slaughter and sell for consumption broilers within 42 days after an oil emulsion vaccine is administered. That is about the slaughter time for many of these birds, even if they were vaccinated at the day of birth.

Senator SPECTER. You are saying for the broilers you just couldn't tell whether the vaccine was taking or not?

Dr. BEARD. Well, it probably would be much less effective in broilers, because they are not immunologically competent at that time. They are not as capable of building up resistance as readily as a layer, which is a more adult bird.

Senator SPECTER. The vaccine wouldn't work in a broiler.

Dr. BEARD. That is yet to be seen.

Senator SPECTER. You don't know?

Dr. BEARD. That is right. I would think it would not be nearly so effective in broilers as it could be in layers.

Senator SPECTER. But that is uncertain.

Dr. BEARD. That is correct. It would do a lot of the same things that the low-path things will do. It makes the disease hard to locate and eradicate, and it sends a signal to markets, both within this country and outside this country, that the affected poultry industry has decided to take another route other than eradication. As I indicated to you earlier, this is not an acceptable disease internationally.

Senator SPECTER. To use the vaccine is not an acceptable approach, you say?

Dr. BEARD. The disease is not accepted and, therefore, vaccine is not an appropriate means of dealing with it in the eyes of those countries which want nothing to do with it.

Senator SPECTER. Has vaccine been rejected on the international standard?

Dr. BEARD. They eradicate. They depopulate.

Senator SPECTER. So you are saying vaccine has not been accepted?

Dr. BEARD. No, no. They will not accept vaccination as evidence of eradication in any area.

Senator SPECTER. But vaccination is used in other lines; turkeys, for example?

Dr. BEARD. Yes; we are talking almost about a different disease in turkeys. The problem that has gone on in this country since the mid-sixties has been a different type of disease entirely. Sometimes it has been so mild that you don't know you have it other than by serologic detection. You sometimes see a slight drop in egg production, and sometimes you see an increase in mortality. There have been many subtypes, including H–5, but never have they produced the fowl plague-like disease picture that is being observed in Pennsylvania.

Senator SPECTER. But it is called avian flu in turkeys?

Dr. BEARD. Absolutely. Fowl plague is avian flu. It is one of them. It is H–7. So the turkey industry, since the outbreak of 1978–79, has been relying on vaccine to help them control these mild viruses that have repeatedly appeared in some areas of this country in the turkey industry.

Senator SPECTER. Where else, if at all, have vaccines been used?

Dr. BEARD. I don't know of any.

Senator SPECTER. What is the basis for your professional judgment that vaccines ought to be developed if, as you say, vaccines are not accorded international status?

Dr. BEARD. The vaccines that we were developing were vaccines to be implemented prior to the time we had this disastrous outbreak in Pennsylvania. These were vaccines intended to help the turkey industry with the kinds of problems that they have been having since the mid-1960's.

Senator SPECTER. You were saying the vaccines were not intended ever to apply to chickens?

Dr. BEARD. Yes; we tested it in chickens to see if it would work. We wanted to know from a scientific basis. We did not intend vaccines ever to be a substitute for eradication of a disease that is fowl plague-like.

FUTURE OF VACCINES

Senator SPECTER. What is your intention as to the future of vaccines then?

Dr. BEARD. I believe that the turkey industry, where they have mild infections that are not causing fowl plague-like disease, will continue to use that vaccine.

Senator SPECTER. You think appropriately so?

Dr. BEARD. I think so, yes.

Senator SPECTER. You think there may be some future for vaccines in chickens?

Dr. BEARD. Yes; in the future if chickens get a mild disease such as turkeys, and I hope they don't. We haven't had a chicken problem of any consequence in this country since the twenties. I hope this doesn't become a frequent affair.

Senator SPECTER. One of the purposes of this hearing—our first concern—is the problem now, which we haven't finished, and the second phase is to inquire as to what can be done to prevent it in the future. As I understand it, the farmers in central Pennsylvania were prohibited from using vaccines. Am I correct?

Mr. MCMILLAN. Yes; that is correct.

Senator SPECTER. And that judgment was made for what reason?

Mr. MCMILLAN. I would like for Dr. Beard to address that.

Senator SPECTER. You may already have, but I think it might be worth repeating.

Dr. Beard. As with most respiratory infections, vaccine does not provide complete protection against infection. Vaccinated birds can get infected, appear normal, and shed the virus. That is a very dangerous bird in any eradication effort. When a flock appears normal, appears healthy, but is shedding highly pathogenic virus, that is counter to an expeditious eradication of the disease.

Senator Specter. So what you are saying is on this state of the art, given the problem in April, it was the U.S. Department of Agriculture's conclusion that vaccine would not be appropriate in this circumstance, because it would not be successful?

Dr. Beard. I don't know that they even applied to use it in April.

Senator Specter. They did, didn't they, Mr. Secretary?

Dr. Atwell. I am not aware of any application for using the vaccine in April.

Senator Specter. Well, prior to October?

Dr. Atwell. The State of Pennsylvania did have the authority to use the vaccine in turkeys, but not in chickens.

Senator Specter. Never? I am talking about chickens now.

Dr. Atwell. No; not in chickens. We have not authorized the use of the vaccine in chickens.

Senator Specter. The question is, and anybody can answer this, have they asked to use vaccine in chickens?

Dr. Atwell. Dr. Sharman, do you recall?

Dr. Sharman. No.

Dr. Atwell. I don't believe we have had any requests. Secretary Hallowell may know.

Mr. Hallowell. Yes; I believe some farmers concerned about their own flocks had requested and considered using a vaccine.

Senator Specter. And it was turned down?

Mr. Hallowell. Yes; they were informed that it was not possible for them to do so at this time.

Senator Specter. That is the point that had been brought to my attention when I was in Lancaster County several months ago. I was told that.

Dr. Beard, you do have some hope for vaccines for the future, though?

Dr. Beard. I look on vaccines as the last resort. I certainly hope we don't get to that point. But it would be irresponsible if we did not explore vaccines. We are working on them at the moment. If this entire effort falls apart for one reason or the other, we have to keep going in the poultry industry, and vaccination is going to be a very critical part of it.

Senator Specter. Vaccination is a possibility for solving this kind of a problem in the future? Perhaps you may have to develop a different vaccine. You may have to get at it earlier. You may have to improve your research techniques. But that is a possibility for future solution?

Dr. Beard. You won't solve anything. You will just continue to exist with the disease, and you will give up your international markets. That will be the end of the export market for poultry breeders in this country.

Senator SPECTER. Why are you working on vaccines then?

Dr. BEARD. To save the poultry industry and to feed the people in case they can't eradicate the disease.

Senator SPECTER. Well, you are going to save the industry and feed the people with a vaccine?

Dr. BEARD. If we can't eradicate it, that will be the only choice we have, but you won't be selling anything overseas.

RESEARCH

Senator SPECTER. What is the level of the research effort undertaken at the present time on the vaccines?

Dr. BEARD. It has been intensified greatly since October. [Laughter.] We have a single high containment facility in our laboratory, and the entire facility and all of its people are totally dedicated to the avian influenza problem. We have trials underway on an improved avian influenza vaccine at the moment. We made the initial one and published it in 1979. That information was made available to Minnesota when they had their severe problem with turkeys. They did not have the kind of problem you are seeing in Pennsylvania, but they had, for them, a severe problem, and they used the vaccine under an experimental permit from the USDA.

I might add that I believe the vaccine which is currently being discussed has only an experimental license. I don't think there is an avian influenza vaccine that has a full-fledged license of approval.

Senator SPECTER. Is there anything that this subcommittee can do to be helpful to you, Mr. Secretary, on funding there? Do you have adequate funding to pursue the vaccine issue?

Mr. MCMILLAN. This is an area that is the responsibility of the Agricultural Research Service. It comes under Orville Bentley, who is Assistant Secretary for Science and Education. But I think I would be fairly accurate, Charlie, to say that you have all the facilities and personnel that, on a crash basis, you can use right now.

Dr. BEARD. Yes, sir.

Senator SPECTER. Is there anything further that you think would be helpful, Mr. McMillan, on the issue of the vaccine?

Mr. MCMILLAN. No; I just felt, Senator, it would be very important for the record to have this background laid out.

INCREASED INDEMNITY

Senator SPECTER. I think that is useful, and I appreciate it.

Let's turn now to the issue of damages, Mr. Secretary. The essential question is: Why shouldn't the poultry farmers in Pennsylvania be compensated under the same standard that was applied by the Federal Court of Appeals in the case of *Julius Goldman* v. *United States*, decided in 1983?

Mr. McMillan. Why shouldn't the same principles be applied as in 1983? The decision was made that the funding from the standpoint of the Federal Government would be confined to the replacement cost basis, which is the basis on which the depopulation and indemnity payments were made, commencing in November. The latest decision, going for the low-path, was made on the same basis of replacement as the basis for indemnity. That decision, quite frankly, was made because of budgetary considerations.

Senator Specter. As a matter of basic fairness, don't you think that the farmers are entitled to have their real losses compensated, which would be the existing value of the flock, taking into account the value of the flock in producing the eggs and the downtime, if the flock is destroyed?

Mr. McMillan. There is no question but what there is economic hardship during the downtime, particularly during a period when egg prices have gotten back to a profitable level.

Senator Specter. They are now. Things were tough last year. Now the egg prices are back. When the farmers of central Pennsylvania have an opportunity to recoup their losses, this misfortune occurs. They are being deprived of the benefits of a good market.

Mr. McMillan. We are totally sympathetic to the economic hardships that they are going through at the present time. We were sympathetic in many respects.

You know, we talk about the compensation as we are discussing it here, but even while that is going on, we, for example, in the current school year, are purchasing 46 million dollars' worth of broilers and 27.5 million dollars' worth of eggs. These are all Federal funds that are being paid out to the industry nationally, not just in Pennsylvania, to go into the school lunch program. We are buying 44 million dollars' worth of turkeys. That is a total of approximately $117 million being expended for these poultry products, to go into the school lunch program.

Now that is not the issue here, of course.

Senator Specter. I agree. [Laughter.]

Mr. McMillan. But the point is that it does indicate that we are sympathetic to the economic well-being of the industry.

Senator Specter. Mr. Secretary, you and I talked about this last night. What we are talking about is compensation which amounts to about some $61 million at this present time.

Mr. McMillan. For indemnity and operational costs.

Senator Specter. And if indemnity were to cover the real losses to the farmers, it would be twice that.

Mr. McMillan. Yes; based on figures the Pennsylvania Poultry Federation has supplied, our costs for indemnity would be about double.

Senator Specter. There is an agriculture subsidy program in this country in excess of $20 billion; is that correct?

Mr. McMillan. In 1983, for all of the various farm programs, it was in the area of $20 billion.

Senator SPECTER. The problem that many of us have, that Senator Heinz and I expressed to you yesterday in our meeting, is that given the subsidy program which has been deemed to be fair and equitable for the country, and which is in excess of some $20 billion a year, there is now a national catastrophe in the making in this country which the Federal Government is unwilling to adequately address. The catastrophe starts in Pennsylvania, and we are now changing the standard in January contrasted with October, and the testimony here today is that it is to be, on the safe side, you really can't say—you are nodding yes—scientifically that these flocks with the low-pathogenic disease are really harmful and ought to be destroyed. But, in order to protect the national industry, in order to stop the spread in Maryland, Virginia, the Carolinas, Georgia, and beyond, the Pennsylvania farmers ought to have their flocks destroyed.

My question is: In the context of the $20 billion Federal farm subsidy program, why would the Department of Agriculture balk at an additional $61 million to make these farmers whole or to pay them for their real losses?

Mr. MCMILLAN. Well, it is strictly budgetary, Senator. The fact is that we do have major deficits. You quite rightly point out that agricultural subsidies were paid in fiscal 1983 in the magnitude of $20 billion-plus. Most of those subsidies were based upon statutory price support programs. In this case the decision has been made that we should be obligated for the replacement cost but not any economic compensation for the fair market value of those birds that are depopulated or for cleaning and disinfection and downtime.

Senator SPECTER. Why has that determination been made? As I work out the mathematics here, I come to .003 percent, three-thousandths of one percent of the Federal farm subsidy program is involved here. What you are really saying is that the farmers in central Pennsylvania are taking a loss of $61 million in the national welfare to protect potentially a $9.5 billion industry.

The critical question is: Why as a matter of basic fairness shouldn't the farmers be compensated for their real losses?

Mr. MCMILLAN. It is strictly a budgetary decision at this point, Senator.

Senator SPECTER. I interpret budgetary decision to be the equivalent of no good reason. [Applause.]

Mr. Secretary, I do not say that in any way in criticism of what you have done, because you and I had the same conversation yesterday. You have expressed a sympathetic approach, as has your Department. I know you are sympathetic. The decision lies, in part, in other Federal agencies, but it is important. We are doing here what we have to do, and that is establish a record on the details as to what are the underlying facts. We can then pursue it with the other agencies. So, in developing this information you are very candid and you lay it right on the line—budgetary considerations. To your credit, you do not seek to justify it as a matter of principle or policy. We will take it the next step.

Mr. McMillan. I appreciate that, Senator. Thank you.

Senator Specter. We very much appreciate the testimony. Not everyone has testified, but I know that a panel of experts has been assembled so where we needed the help, it would be provided. This is very helpful to the subcommittee.

I would like to ask you to stand by while we hear from the State people, because something may arise where we will need some supplemental help.

Mr. McMillan. I would be very happy to, Senator.

Senator Specter. Thank you very much.

Mr. McMillan. Thank you, Senator.

NONDEPARTMENTAL WITNESSES

PENNSYLVANIA DEPARTMENT OF AGRICULTURE

STATEMENT OF PENROSE HALLOWELL, SECRETARY

INTRODUCTION OF WITNESSES

Senator SPECTER. I would like at this time to have the following witnesses come forward: Mr. Andrew Hansen and Donald Horn, task force on avian influenza; Penrose Hallowell, secretary of the Pennsylvania Department of Agriculture; Charles Warfel, Pennsylvania Farmers Association; Charles Wismer, Pennsylvania Grange; Albert Pope, president of United Egg Producers; Warren Miller; Dale Rohrer; and Ronald Shaffer.

Thank you very much for joining us, gentlemen.

I would like to proceed now to the distinguished Secretary of Agriculture for the State of Pennsylvania, an old friend of mine. We work together on many problems. When avian influenza broke in a very intense nature, Penny Hallowell and I were on the telephone, and he said, "Arlen, give me a hand with David Stockman. We need to get $13 million released today." I got Mr. Stockman on the phone, and we got the $13 million released. Penny Hallowell was able to give me the specifics which I could transmit to David Stockman and let him know that it couldn't wait for an afternoon decision. Mr. Stockman was cooperative and made a judgment. That amounted to $13 million. Our next objective is to make that $61 million. I think we are getting ammunition here today.

We welcome you here, Mr. Secretary. We appreciate your submitting your very excellent statement.

Mr. HALLOWELL. Thank you very much, Senator Specter. As always, you are doing a good job of addressing the issue.

I think perhaps my written testimony will become part of the record.

Senator SPECTER. It shall be.

Mr. HALLOWELL. Perhaps, I can just summarize a few of the issues, especially in light of some of the discussion that has just previously taken place.

I, too, want to emphasize that the cooperation between people in Pennsylvania—both the industry and the department—and USDA and the scientific community, has been good. It is really a very tough issue, and we don't know enough about it. We are learning as we go along. I think you have really drawn the issue to the point where virtually everything we are doing is in the best national interest and is for the well-being of the industry.

COST TO INDIVIDUAL FARMERS

However, a lot of these actions are not in the best interest of an individual farmer or the farmers that have the unfortunate circumstance of having the disease. In fact, these farmers are paying a dear price in not only their business, but also in the life of their family.

While there is good justification to talk about replacement cost, that it is a fair way to reimburse farmers for taking the birds from them against their will, we are also taking the ability from them to repopulate. They have no choice but to leave their poultry houses empty. They have no choice but to be without income.

I think you are pointing out that it is in the best interest of us all to recognize the well-being of a very important, large industry. We should not forget that it is also our responsibility to be interested in the well-being of a mister and missis farmer, whether it is in Pennsylvania, Virginia, or any part of the United States.

As I say, efforts have been toward eradicating the disease, and progress is being made. It has pretty much been confined—the highly pathogenic especially—to a small area, mostly Lancaster County in fact. We should be satisfied with some success.

However, that doesn't mean much if it spreads slowly and continues to spread. The decision to depopulate all of the disease is probably a correct one.

RESEARCH

About 1 month ago, I wrote to Secretary Block indicating that the eradication needed to take place. We needed to concentrate on it, but we also had to be concerned about the future of the industry and the farmers. We are working with Secretary McMillan's people on research. In fact, 2 days ago in our department we agreed to fund two additional research projects, one by Penn State University and one by the University of Pennsylvania, to try to resolve the problem for the future.

More research is needed. I think you correctly have identified that as something that requires State and Federal attention in the future.

OVERSEAS MARKETS

We also are talking about marketing and markets. The reason we are concerned about the well-being of the industry is because of the economic impact. It is hurting our marketing, and we do need to protect our overseas markets today and in the future. We need to give attention to that.

I guess that about really summarizes what I have to say. The outlook for the industry, I think, is still good. But the outlook for many of the farmers in Pennsylvania, whether they are independent growers who sell their own eggs on the market, whatever the price brings—as you point out, it is unfortunate these farmers cannot take advantage of the good market—or whether they are marketing through a contract process that somewhat guarantees them a certain margin, both of these farmers are in serious jeopardy. The whole economy of south-central Pennsylvania is suffering because of this.

We appreciate your interest and ask for your continued support.

IMPACT ON OTHERS

Senator SPECTER. Mr. Secretary, I think it might be useful if you identified the various categories of people who are affected by this situation, starting with the farmer and the egg handlers, et cetera.

Mr. HALLOWELL. We have several hundred farmers right now who are out of business, and that multiplies to probably several thousand people who are not able to work on the farms. We have depopulated over 10 million chickens that are not now 10 million chickens. That used to be work for feed suppliers. They are not eating the feed that was supplied by hundreds of people working in feed mills, so the feed mills have less work to do. They are suffering economically. The farm supply stores that are supplying these farmers with things now do not have the business, and that sort of points to the social problem. Farmers are very gregarious people. They like to visit back and forth and visit together. Farmers that now have the disease are virtually prisoners on the farm. They are not even able to go to a farm supply store and go in. They have to sort of pass notes. The supplier side in that area is being devastated, and also the marketing side.

We have people here that I think you will be hearing from that are in the business of selling eggs, selling chickens, packing eggs, and selling them. They have unemployed people, too.

So if you look at the total industry, the problem is multiplied several times that of the farmer.

Senator SPECTER. Your testimony is very helpful, because it brings out the point that I had sought to elicit, and that is that even if you pay the farmers for the downtime, if you have the damages which are being suggested here today, there are still many who will be left out in terms of losses.

You have identified the feed mills which have lost profits, lost business; the farmworkers have lost their compensation; the farm suppliers have lost their compensation; many people connected peripherally with the flocks will lose their compensation, and they won't be included, even if a broader measure of indemnification is applied.

Mr. HALLOWELL. I didn't mention the banks. Of course, many, many farmers have expanded and are having these millions of chickens producing billions of eggs for consumption. Mostly, they are financed rather heavily. They are not able to meet their financial responsibilities, and it is a real question as to whether or not they can get back in business. We certainly need to do everything we can to help that happen.

PREPARED STATEMENT

Senator SPECTER. Thank you, Mr. Hallowell, for your very excellent statement. We have your complete statement and it will be inserted in the record.

[The statement follows:]

STATEMENT OF PENROSE HALLOWELL

MR. CHAIRMAN, MEMBERS OF THE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO SPEAK WITH YOU THIS MORNING. I AM PENROSE HALLOWELL, SECRETARY OF AGRICULTURE FOR THE COMMONWEALTH OF PENNSYLVANIA.

PENNSYLVANIA POULTRY FARMERS FACED A DIFFICULT YEAR IN 1983. EARLY IN THE YEAR, EGG AND POULTRY PRICES PROVIDED ONLY MARGINAL PROFITS. THE SUMMER DROUGHT CREATED ADDITIONAL SUPPLY PROBLEMS AND THE RESULTING HIGH FEED GRAIN PRICES HAVE DRIVEN MANY POULTRYMEN TO THE ECONOMIC BRINK.

THE PENNSYLVANIA -- AND THE NATIONAL -- POULTRY INDUSTRY ARE NOW FACING THEIR GREATEST CRISIS IN AT LEAST 50 YEARS. THAT CRISIS IS AVIAN INFLUENZA, AND THE THREAT IS THE DEVASTATION OF THE POULTRY INDUSTRY AND THOUSANDS OF JOBS IN ALLIED INDUSTRIES.

AVIAN INFLUENZA, OF COURSE, IS A HIGHLY CONTAGIOUS RESPIRATORY VIRUS WHICH CAN CAUSE THE DEATH OF UP TO 80 PERCENT OF AN INFECTED FLOCK WITHIN THREE TO FOUR DAYS FROM THE TIME CLINICAL SYMPTOMS APPEAR. ALTHOUGH THE DISEASE IS CAPABLE OF VAST DESTRUCTION IN A CHICKEN FLOCK, IT IS NOT TRANSMISSIBLE TO HUMANS AND POSES NO THREAT TO HUMAN HEALTH.

THE POULTRY INDUSTRY IS THE SECOND LEADING SEGMENT OF PENNSYLVANIA AGRICULTURE. FARM VALUE OF POULTRY AND EGGS FROM OUR STATE'S FARMS TOTALS $400 MILLION ANNUALLY. NEARLY 66 PERCENT OF THAT TOTAL COMES FROM THE NINE COUNTIES IN THE STATE AFFECTED BY THE AVIAN INFLUENZA OUTBREAK AND THE RESULTING STATE AND FEDERAL QUARANTINES. BEYOND THE FARM, FROM 20-25,000 PENNSYLVANIANS OWE THEIR JOBS DIRECTLY OR INDIRECTLY TO THE POULTRY AND EGG INDUSTRIES OF THE COMMONWEALTH.

THE PENNSYLVANIA DEPARTMENT OF AGRICULTURE HAS BEEN INVOLVED IN THE CONTROL EFFORT WITH THE AVIAN INFLUENZA OUTBREAK SINCE MID-APRIL, 1983, IN LANCASTER COUNTY, AND MORE RECENTLY IN THE SURROUNDING COUNTIES. AVIAN INFLUENZA WAS NOT A REGULATORY DISEASE UNDER STATE LAW. EVEN SO, PENNSYLVANIA DEPARTMENT OF AGRICULTURE staff began working with the poultrymen in Lancaster County as soon as the outbreak was identified.

When the disease presence continued, we requested additional help and information from the United States Department of Agriculture. Through the summer, the number of flocks affected by avian influenza continued at less than six per month. In September, the state's Bureau of Animal Industry asked for personnel from the USDA's Animal and Plant Health Inspection Service to assist and advise in the field. When the highly pathogenic strain of avian influenza was confirmed through laboratory tests on October 25, six federal officials were working full time in Lancaster County.

Within two days of our notification on these laboratory results, I proclaimed avian influenza to be a "dangerous transmissible disease." State quarantines were in place on 38 farms known or suspected to have the infection, so as to restrict movement of birds and eggs except under BAI permits.

By November 2, all Pennsylvania livestock auctions were ordered to stop selling and trading of birds, and a moratorium was placed on poultry exhibitions and shows. Regulations were developed on proper disposal of dead birds, handling of litter, and cleaning and disinfection of poultry houses and equipment.

On November 2, a joint state-federal-industry task force was created to control and eradicate the disease. This task force is still in operation, and will continue its efforts for the foreseeable future.

On November 4, the United States and Pennsylvania Departments of Agriculture placed a joint quarantine on approximately 1,300 square miles in portions of four Pennsylvania counties. On November 16, and again on November 21, the quarantine area was expanded to include approximately 3,100 square miles in portions of seven counties. A further expansion on December 27 brought the total area in Pennsylvania quarantined for avian influenza to approximately

5,100 SQUARE MILES IN ALL OF LANCASTER, YORK AND ADAMS COUNTIES, AND SUBSTANTIAL PORTIONS OF FRANKLIN, CUMBERLAND, DAUPHIN, LEBANON, BERKS AND CHESTER COUNTIES.

PENNSYLVANIA STATE GOVERNMENT EMPLOYEES ARE WORKING IN ALL AREAS OF THE TASK FORCE EFFORT, FROM ADMINISTRATIVE DETAILS TO DEPOPULATION AND ENFORCEMENT OF THE FEDERAL AND STATE QUARANTINE PROVISIONS ON MOVEMENT.

THE PENNSYLVANIA DEPARTMENT OF AGRICULTURE IS PROVIDING APPROXIMATELY 50 STAFF FOR FULL TIME TASK FORCE AND RELATED ACTIVITIES, INCLUDING BOTH PUBLIC INFORMATION AND MARKETING INFORMATION FOR AFFECTED FARMERS AND BUSINESSES. THE STATE DEPARTMENT OF ENVIRONMENTAL RESOURCES IS PROVIDING TECHNICAL ASSISTANCE, INCLUDING LOCATION AND CERTIFICATION OF SAFE, SANITARY DISPOSAL SITES. AND THE PENNSYLVANIA STATE POLICE ARE ASSISTING THE TASK FORCE THROUGH PATROLS WHICH ARE HELPING ENFORCE QUARANTINE PROVISIONS ON THE MOVEMENT OF POULTRY AND POULTRY PRODUCTS.

STAFF OF SEVERAL OTHER STATE AGENCIES, INCLUDING THE DEPARTMENTS OF BANKING, COMMERCE, GENERAL SERVICES, HEALTH, LABOR AND INDUSTRY, AND THE ECONOMIC DEVELOPMENT COMMITTEE OF THE CABINET ARE INVOLVED IN PLANNING STATE ACTIONS TO HELP FARMERS IN THE RECOVERY EFFORT.

THE STATE DEPARTMENT OF AGRICULTURE HAS BEGUN TO REIMBURSE FARMERS FOR BIRDS WHICH DIED OF THE HIGHLY PATHOGENIC STRAIN OF THE DISEASE PRIOR TO THE USDA'S "EXTRAORDINARY EMERGENCY" DECLARATION AND INCEPTION OF FEDERAL INDEMNITY PAYMENTS. GOVERNOR DICK THORNBURGH HAS REQUESTED THE STATE'S GENERAL ASSEMBLY TO PASS LEGISLATION PROVIDING $2 MILLION IN STATE FUNDS TO HELP COVER INDIVIDUAL FARMERS EXTRAORDINARY EXPENSES IN CLEANING AND DISINFECTION OF THEIR PREMISES. A COPY OF THE GOVERNOR'S LETTER TO THE LEGISLATIVE LEADERSHIP IS ATTACHED FOR THE RECORD.

THIS WEEK, THE STATE'S AGRICULTURE RESEARCH ADVISORY COMMITTEE HAS APPROVED TWO STATE-FUNDED RESEARCH PROJECTS DEALING WITH THE

AVIAN INFLUENZA OUTBREAK. ALTHOUGH FUNDING WAS LIMITED BY AVAILABLE REVENUES, WE HAVE COMMITTED THESE REMAINING RESOURCES IN AN EFFORT TO SECURE NEW INFORMATION ON THIS DISEASE.

THE UNITED STATES AND PENNSYLVANIA DEPARTMENTS OF AGRICULTURE HAVE ALSO FORMED A JOINT WORKING COMMITTEE TO ADDRESS THE NEEDS OF THE PENNSYLVANIA POULTRY INDUSTRY IN A COORDINATED EFFORT. ASSISTANT SECRETARY MCMILLAN AND HIS STAFF HAVE ALREADY MET WITH US AND WILL CONTINUE TO WORK IN THE AREAS OF RESEARCH, MARKETING AND ECONOMIC RECOVERY.

THROUGHOUT OUR EXPERIENCE WITH THE AVIAN INFLUENZA OUTBREAK, PENNSYLVANIA HAS BEEN FORTUNATE TO HAVE THE FORMIDABLE ASSISTANCE OF ITS POULTRY INDUSTRY, INDIVIDUAL POULTRY FARMERS AND THE FEDERAL GOVERNMENT. WITHOUT THIS ASSISTANCE, THE PROBLEM WOULD SURELY HAVE GROWN TO THE PROPORTIONS OF A REGIONAL -- EVEN NATIONAL -- DISASTER, QUICKLY.

WE HAVE MET ON A CONTINUING BASIS WITH STATE POULTRYMEN, TO DISCUSS THEIR NEEDS, AND THE IMPACT THIS OUTBREAK HAS HAD ON THEIR INDIVIDUAL OPERATIONS AND THE INDUSTRY AS A WHOLE. WHERE THE HIGHLY PATHOGENIC STRAIN OF THE DISEASE HAS BEEN CONFIRMED AND A FLOCK IS DEPOPULATED, THE NET EFFECT IS TO PUT THE FARMER OUT OF BUSINESS FOR SEVERAL MONTHS.

INDEPENDENT FARMERS IN PARTICULAR MAY BE FORCED OUT OF BUSINESS, BY THE ERADICATION EFFORT. ALTHOUGH LENDING INSTITITIONS HAVE IN GENERAL BEEN SUPPORTIVE, STILL, ADDITIONAL ASSISTANCE MAY BE NECESSARY TO AVERT FINANCIAL DISASTER FOR THESE FAMILY FARMS. FIXED COSTS OF MAINTAINING A POULTRY OPERATION CONTINUE EVEN DURING THE TIME WHEN THE FARM IS OUT OF PRODUCTION.

IT IS ALSO IMPORTANT TO REALIZE THAT THE IMPACT OF THIS OUTBREAK GOES BEYOND THE INDIVIDUAL FARM. AS THE MONTHS MOUNT WITHOUT TOTAL ERADICATION OF THIS DISEASE, THESE IMPACTS ON THE FARMS, BUSINESSES AND RELATED INDUSTRIES GROW. I AM SURE THAT THE GENTLEMEN FROM THE POULTRY INDUSTRY WILL GIVE YOU A COMPLETE UPDATE ON THE OVERALL ECONOMIC IMPACT OF THIS OUTBREAK.

AT THIS TIME, PENNSYLVANIA'S POULTRY INDUSTRY IS SWALLOWING A BITTER ECONOMIC PILL TO PROTECT THE NATIONAL POULTRY INDUSTRY.

No one could have foreseen this outbreak or its consequences in March of 1983, nor indeed by even late summer. The avian influenza outbreak which we are fighting is a unique disease event in United States history.

Yesterday, the United States Department of Agriculture determined that control and eradication efforts be extended to include all lethal H5 types of avian influenza infected poultry in the quarantine area and other high risk locations of possible spread in the nation. Because there are no effective vaccination, therapeutic or other measures available to eliminate or control this disease, this means depopulation of flocks infected by all forms of avian influenza.

Although the Commonwealth of Pennsylvania recognizes that this decision is in the long term interests of the national poultry industry, we must point out that problems experienced by Pennsylvania farmers, both contract farmers and independents, will be made even more severe with this decision. It is very possible that through a surveillance program and depopulation of all avian influenza-infected flocks, several hundred additional farmers will face the economic losses associated with lost contracts, disruption of markets, down time, continuing fixed costs and the costs of cleaning and disinfection. These financial losses may force many farmers, especially family farmers, out of business.

These problems are not going away, and must be addressed if we are to give our farmers and our poultry industry a chance to remain a viable segment of our state's economy. We urge the federal government to do all within its power and means to overcome these problems.

Other considerations must also be addressed.

The top avian health experts in the nation have been following the outbreak for many months. Yet we remain without concrete answers to very important questions. Including how the disease

ORIGINATED, HOW IT IS TRANSMITTED FROM FLOCK TO FLOCK, AND WHETHER A CURE CAN BE FOUND.

PENNSYLVANIA'S POULTRY FARMS HAVE BECOME A TESTING GROUND FOR FUTURE WORK TO PREVENT THIS DISEASE FROM RECURRING. THAT RESEARCH AND TESTING IS OF CRITICAL IMPORTANCE. AT THE SAME TIME, PENNSYLVANIA'S POULTRY FARMERS HAVE BECOME TEST CASES AND WE MUST NOT ALLOW THEM TO BEAR THE COSTS OF THIS DISEASE ALONE.

THESE FARMERS NEED THE SUPPORT AND ASSISTANCE OF BOTH STATE AND FEDERAL GOVERNMENT RESOURCES. USDA AND OMB HAVE AUTHORIZED SPENDING UP TO $61.5 MILLION FOR THE INDEMNITY PROGRAM AND TASK FORCE ADMINISTRATION.

THE STATE GOVERNMENT HAS EXPENDED MILLIONS OF DOLLARS AND TENS OF THOUSANDS OF HOURS OF STAFF TIME AND ADMINISTRATIVE WORK IN THE EFFORT TO CONTAIN THE DISEASE. WE ARE COMMITTED TO CONTINUING OUR SUPPORT FOR THE INDIVIDUAL FARMER, THE POULTRY INDUSTRY AND FOR THE ECONOMIC RECOVERY OF SOUTH-CENTRAL PENNSYLVANIA FROM THIS CRISIS.

IN CLOSING, I URGE THE FEDERAL GOVERNMENT TO CONTINUE ITS ROLE THROUGH RESEARCH, INCREASED INDEMNITIES TO FAIR MARKET VALUE, AND OTHER ESSENTIAL ECONOMIC ASSISTANCE TO ENABLE PENNSYLVANIA'S POULTRY INDUSTRY TO CONTINUE ITS CONTRIBUTION TO OUR ECONOMY AND WELFARE. I AM FIRMLY CONVINCED THAT ALTHOUGH THE TASK OF ERADICATION AND ECONOMIC RECOVERY WITHIN A REASONABLE TIME IS A FORMIDABLE CHALLENGE, THIS CHALLENGE CAN BE MET THROUGH THE COOPERATION AMONG STATE, FEDERAL AND LOCAL GOVERNMENTS, THE EXTENSION SERVICE, BANKS AND INDIVIDUAL FARMERS IF PROPER ALLOCATION OF FINANCIAL RESOURCES ARE MADE. FAILURE TO PROVIDE NECESSARY RESOURCES, AT ANY LEVEL OF GOVERNMENT, MAY MAKE MEETING THAT CHALLENGE AN IMPOSSIBLE TASK.

PENNSYLVANIA FARMERS ASSOCIATION

STATEMENT OF CHARLES WARFEL, INDEPENDENT BROILER PRODUCER

Senator SPECTER. Let us turn at this point to the representatives of the farm association and hear from Mr. Charles Warfel. Mr. Warfel, would you describe for us the impact that you see with the current problem with avian flu in Pennsylvania?

Mr. WARFEL. Mr. Chairman, my name is Charles Warfel, and I am an independent broiler producer from Lancaster County, Pa. and currently serve on the Poultry Action Committee. I am testifying today on behalf of 23,400 farm families who are members of the association.

The official position of our organization is as follows: We support eradication of avian influenza through depopulation of both high- and low-pathogenic H–5 virus-infected birds; that farmers are adequately indemnified for business interruptions, economic restrictions, and birds destroyed; that depopulation should occur only when there is positive evidence that a flock is infected.

Senator SPECTER. You represent 23,000 farm families?

Mr. WARFEL. 23,400 Pennsylvania farm members.

Senator SPECTER. 23,400 farm members?

Mr. WARFEL. That is correct, yes.

Pennsylvania farmers must be adequately compensated for birds destroyed and for business interrupted and economic restrictions resulting from the efforts of eradicating this disease.

Presently, birds that are alive after the problem was recognized and an emergency declared, are available for indemnity payments. We feel farmers who have lost birds due to this disease prior to the declaration of emergency status should have some means to recoup their losses.

There is also the problem of the farmer on contract. This person has a large capital investment in business, maintenance costs, utilities, et cetera. Currently, the indemnity program does not take this person into consideration. Since he does not own the birds, he does not receive indemnity payments.

An additional concern that the Pennsylvania Farmers Association wishes to address deals with research of avian influenza. Research on the disease must be put on the front burner so that once the disease is eliminated, we will possess the knowledge to prevent or better control future outbreaks.

Again, we wish to thank you for the opportunity to express the concern of the Pennsylvania Farmers Association. I thank you.

Senator SPECTER. Thank you very much, Mr. Warfel. We will be raising those questions with Secretary McMillan in a few minutes and get some views in response.

I would like now to call on Mr. Charles Wismer, who is the Master of the Pennsylvania Grange.

PENNSYLVANIA STATE GRANGE

STATEMENT OF CHARLES E. WISMER, JR., MASTER

Mr. WISMER. Senator, my name is Charles Wismer and I am Master of the Pennsylvania State Grange. I represent 42,000 rural Pennsylvanians who are committed to the welfare and the preservation of the family farm.

We are concerned about the toll avian influenza has taken on the family farm. You have heard facts and figures of birds and numbers. Downtime and cleanup costs can be astronomical. The fixed cost per month for a 50,000-bird operation is as follows. These figures I got from only one or two operators, so it would vary when the house was built and so on. But a mortgage on a 50,000-bird operation would be $2,740 a month. The insurance cost would be $127 a month. The interest, if it were operating, is $1,850 a month. Electricity on a downtime building is $30 a month. The total cost, whether that house is empty or not, is $4,747. After adding taxes, the fixed costs exceed $5,000 per month. If the chickenhouse is idle for 6 months, the total loss for fixed costs alone is $30,000.

All of these costs must be paid before the farmer receives any indemnity, which can only be received after the cleanup has been accomplished.

In many cases, the farmer does not own the birds in his houses. Thus, he is not eligible for any indemnity. The grower raises the birds and, after they are fully developed, ships them back to the processor. Under normal circumstances, the grower would get paid to raise the poultry. If the birds are depopulated, however, the processor is given the indemnity and the grower receives nothing but the downtime and cleanup bills.

Clearly, the family farmer must have Federal assistance to survive the avian influenza crisis. Agribusiness can afford larger setbacks than the family farm. Our fear is that the small family poultry producer will become nonexistent in Pennsylvania.

One way to assist the family farmer involves the 5,100-square-mile quarantined area. The Grange recommends that the area should be reduced after a 30-day period of no new outbreaks. That would allow an unaffected farmer inside the quarantined area to get back outside the area and increase his market. Currently, farmers within the quarantined area are receiving up to 13 cents per pound below the market value for spent fowl.

It is important to realize that the avian influenza is not only a State catastrophe but a national crisis as well. The effects of the disease will be felt nationwide. Pennsylvania's farm economy cannot carry the burden of the Nation's economic loss. We must have additional Federal dollars to keep the epidemic from spreading and dissolving the poultry industry.

Additional appropriations should be used in several areas. Research is vital to find a workable vaccine. I think here, Senator, with your prestigious position on the Agriculture Subcommittee of the Appropriations Committee you could be a real help. I believe we do need more Federal dollars in research.

Research is also needed to determine how the disease develops and spreads. You have heard today about maybe the mild strain, but we also have concern about the small backyard flocks that are located in Pennsylvania. Those flocks are certainly carrying the disease. If we look in yesterday's Lancaster paper at the numbers of flocks that have been paid an indemnity, we will probably only find about 6 of those 220-some flocks that are small backyard flocks.

Senator SPECTER. Why is that, Charlie?

Mr. WISMER. I don't know. I think they are not monitoring the backyard flocks. I think that is one reason it is spreading so bad in Pennsylvania. If one-half of the other laying flocks have avian influenza, why wouldn't one-half of the backyard flocks have avian influenza?

We also believe that there could be problems in the area of oxygen in some of these poultry houses. Maybe this is another reason that the disease has developed and spread. Here is where we should have some research, too. Maybe there have been some problems with ventilation. I do not know that for sure.

Research must also be accomplished to determine if the mild strain of the flu is actually a carrier of the hot strain.

Marketing is a major problem in Pennsylvania due to the quarantine, and all efforts should be made to halt any embargoes, you know, either between States or whatever.

In conclusion, let me reiterate that the Pennsylvania State Grange is extremely concerned about the avian influenza crisis and how it affects the family farmer. I strongly believe that any new money should go to the farmer who is the poultry house owner. There is a difference, you know. About 40 percent of the flocks are independently owned by family farmers. Then there are maybe 60 percent of the flocks that are owned by agribusiness or other interests. Presently, the indemnity has been going to the owner of the flocks, so 60 percent of the time the money is going to agribusiness or other interests. I think that if there is any new money, it should go for cleanup, for downtime, and to the fellow who owns the poultry house. In most cases that would be the family farmer.

We have in the audience today a man by the name of Charlie Bracks from Lancaster County who had 100,000 layers. His flock went down on November 3, I believe. He had 42,000 chickens die. The rest of them he sold for 50 cents. This was before there was any Federal quarantine. To this date he has not received a penny. We need to do things on the State level, of course, but we also need some help from the Federal level.

We urge your Agriculture Subcommittee to commit itself, as we have, toward the eradication of the disease and toward the recovery of the poultry industry in Pennsylvania and our Nation. Thank you, Senator.

Senator SPECTER. Thank you very much, Mr. Wismer.

For the record, what is the total membership of the Pennsylvania Grange?

Mr. WISMER. We have 42,000 members statewide.

Senator SPECTER. Thank you very much.

TASK FORCE ON AVIAN INFLUENZA

STATEMENT OF ANDREW HANSEN AND DONALD HORN

ACCOMPANIED BY:

WARREN MILLER, INDEPENDENT EGG PRODUCER

DALE ROHRER, CONTRACT PRODUCER

Senator SPECTER. I would like to call now for any additional comments from Mr. Andrew Hansen and Mr. Donald Horn on the Task Force on Avian Influenza.

Mr. HORN. Mr. Chairman, we have a prepared statement. It takes about 5 or 6 minutes, but much is repetition. Would you like me to highlight it?

Senator SPECTER. Please do. We will put the full statement in the record.

Mr. HORN. Thank you very much. My name is Donald Horn. I am here today along with Andy Hansen, Warren Miller, and Dale Rohrer on behalf of the Pennsylvania Poultry Federation. I am also vice president of Pennfield Corp., which is a family-owned company located in Lancaster County, Pa., involved in the production of poultry and eggs.

We have been speaking about the devastating outbreak of avian influenza, the low-pathogenic strain of which was first discovered in our State in April 1983. This has been a natural disaster of enormous proportions for our industry and its various members in Pennsylvania. To date, over 10 million birds have been destroyed, and approximately 257 farms are currently not generating income from their poultry operations to cover their ongoing costs.

We are quite literally in a battle for our livelihoods. If we do not win this battle and win it soon, the poultry industry in Pennsylvania will suffer dramatic changes. We will see farm bankruptcies. We will see foreclosures. We will lose many of our markets, and we will see a substantial reduction in the size of the industry.

We have been willing to make the enormous sacrifice associated with avian influenza, because it is in the best interest of our own State's industry, the national poultry industry, as well as the Nation's consumers. We do believe, however, that in return for the enormous sacrifice that the Pennsylvania poultry industry is making, we must receive fair market value for our destroyed poultry. Let me share with you just a few unique aspects of our industry which are so directly threatened at this moment.

In our opinion, Pennsylvania is the last bastion of the independent poultry industry. We have hundreds of independent businesses representing all aspects of the poultry industry. We believe that small, financially sound, independent businesses are the backbone of Pennsylvania industry and are an important part of the economy of Pennsylvania and the Nation.

Many of these are family-owned, independent farms. We also have contract growers in Pennsylvania—those producers who own poultry facilities and house poultry owned by others. This latter group cannot receive direct indemnification from the Federal Government. Therefore, their financial problems must be addressed.

We believe virtually all companies have provided their contract growers with compensation for services they rendered to date of depopulation. Also, some companies have voluntarily made payments to these growers to help cover the period since depopulation.

The USDA declared an extraordinary emergency on November 9. As a result of this decision, USDA is required by law to compensate bird owners with fair market value of the bird at the time of depopulation. In our opinion, they have not done so. Prior to the declaration of the emergency and continuing to this day, industry has requested fair market value that properly reflects more than just costs.

As you know, in the only other extraordinary emergency involving poultry, USDA provided some element of the income-producing value of the birds when indemnifying poultry producers. In this instance, USDA defined fair market value as follows: "The appraisal of animals shall be based on the fair market value and shall be determined by the meat, egg production, dairy, or breeding value of such animals."

Senator SPECTER. What are you citing from there, Mr. Horn?

Mr. HORN. I am citing from, I think, 21 U.S.C. 134(a).

In conclusion, let me confirm our support for the expansion of the eradication program to include those birds affected by the low-pathogenic form of this disease. I also wish to reassure you of our concern for the contract growers. We believe that those growers will be taken care of if the Federal Government does provide fair market indemnification as it is required to do.

I would like to correct that citation, not being a lawyer. I was quoting from 21 CFR 53.3.

Senator SPECTER. Thank you very much. I take it, Mr. Hansen, Mr. Horn is speaking for you as well on the statement he just made.

Mr. HANSEN. Yes; he is.

Senator SPECTER. Thank you.

PREPARED STATEMENTS

Mr. HORN. Mr. Chairman, we also have Warren Miller, an independent egg producer. We will submit his statement for the record.

Senator SPECTER. Thank you.

Mr. HORN. We also have Mr. Dale Rohrer, a contract producer. We will submit a statement for him for the record.

Senator SPECTER. Fine. We very much appreciate that.

[The statements follow:]

STATEMENT OF DONALD HORN

Good morning. My name is Donald Horn and I am here today on behalf of the Pennsylvania Poultry Federation. I am also Executive Vice President of Pennfield Corporation, which is a family-owned company located in Lancaster County, Pennsylvania, involved in the production of poultry and eggs.

The Federation is the primary trade organization representing the poultry industry in Pennsylvania. We have approximately 300 members involved in all aspects of the poultry industry, including production of broilers, commercial and hatching eggs, specialty birds and the raising of turkeys. We also have associate members from allied industries, such as feed manufacturers, hatcheries, egg, broiler and turkey processors. Our poultry industry contributes more than $1 billion a year to the Pennsylvania economy.

We thank you for the opportunity to present our views here today on what is a subject of the utmost importance to our members, to the State of Pennsylvania and to the national poultry industry. I am, of course, speaking of the devastating outbreak of avian influenza, the low pathogenic strain of which was first discovered in our state in April of 1983. This has been a natural disaster of enormous proportions for our industry and its various members in Pennsylvania. To date, over 10 million birds have been destroyed. Approximately 257 farms are currently not generating income from their poultry operations to cover their ongoing costs. Moreover, we have incurred substantial losses as a result of not receiving fair market value for these birds. Also, our industry has incurred an additional $21 million to date in costs as a result of complying with the eradication program, for which we have not been reimbursed. This figure includes the additional costs to replace product and supply materials in order to maintain our businesses. These costs continue. We are now fighting a battle with this disease in an attempt to eradicate it as soon as possible. We must highlight the fact that these eradication efforts are solely for the purpose of preventing further spread of the disease to poultry. This disease is not harmful to humans, either from handling or consuming poultry products.

We are quite literally in a battle for our very livelihoods. If we do not win this battle, and win it soon, the poultry industry in Pennsylvania will suffer dramatic changes. We will likely see farm bankruptcies and foreclosures, loss of both domestic and export markets and a substantial reduction in the size of the industry. United States poultry exports represent a substantial market. Already, 11 countries have banned Pennsylvania poultry products and, thereby, have denied us access to their markets. The number of countries may expand, as well as the degree of restrictions. Even if the disease is eradicated, we will not gain access to those markets for a considerable period of time.

We have been willing to make this enormous sacrifice because it is in the best interest of our own state's industry and the national industry, as well as the nation's consumers. Although the quarantine is necessary to effectively prevent the spread of the disease, it does present severe practical problems. As you know, we cannot ship poultry products out of state. We must continually clean and reclean our trucks and other equipment. Our drivers use fresh materials, sanitized equipment and clothing. Our materials that come into contact with poultry products must be destroyed after a single use. These are just a few of the numerous logistical problems that we must deal with on a daily basis. Meanwhile, the likelihood of getting back into operation quickly is slipping further into the future.

As businessmen, we want to be freed from the restrictive requirements of the quarantine and return to a normal business environment as quickly as possible. We have cooperated fully with state and federal authorities and, indeed, we believe that they have responded effectively as well. We do believe, however, that in return for the enormous sacrifice that the Pennsylvania poultry industry is making, we must receive fair market value for our destroyed poultry.

Let me share with you some of the unique aspects of our industry, which are so directly threatened at this moment. In our opinion, Pennsylvania is the last bastion of an independent poultry industry. We have hundreds of independent businesses representing all aspects of the poultry industry. We believe that small, financially sound, independent businesses are the backbone of the Pennsylvania industry and are an important part of the economy of Pennsylvania and the nation. Many of these are family-owned, independent farms. We also have contract growers in Pennsylvania -- those producers who own poultry facilities and house poultry owned by others. This latter group cannot receive direct indemnification from the federal government and, therefore, their financial problems must be addressed. We believe virtually all companies have provided their contract growers with compensation for services they rendered to the date of depopulation. Also, some companies have voluntarily made payments to these growers to help cover the period since depopulation.

Let me now quickly recite the activity of the Pennsylvania Poultry Federation in dealing with this disaster. In mid-October 1983, the highly pathogenic form of avian influenza was detected in our area. Concern developed rapidly within the state over the impact of this disease. We promptly began working with both the state and USDA to deal with this issue. We were in constant communication and provided USDA with general bird cost estimates. In early-November, there was a task force formed with representatives of state, federal and private organizations to attempt to find solutions to the problem. After it became apparent that the scope of the problem was threatening the national poultry industry, USDA declared an extraordinary emergency on November 9, 1983. As a result of this decision, USDA is required by law to compensate bird owners with fair market value of the bird at the time of destruction. In our opinion, they have not done so. Prior to the declaration of the emergency and continuing to this day, industry has requested fair market value that properly reflects more than just costs.

We are now at a critical juncture in the avian influenza eradication program. As you are aware, USDA has decided to expand the eradication program to include those birds affected by the low pathogenic form of the disease. We wholeheartedly support proper steps being taken, including this expansion of the eradication program. However, we feel we must address the issue of fair market value. As we stated earlier, once the Secretary of Agriculture makes a determination of an extraordinary emergency based upon a concern for the national poultry industry's survival, he must pay fair market value at the time of destruction of the bird. To date we are receiving only bird costs. We are here because Pennsylvania is sacrificing its poultry to protect the nation's poultry industry. In return we are only asking for what the statute requires -- fair market value.

As you know, in the only other extraordinary emergency involving poultry, USDA provided some element of the income producing value of the birds when indemnifying poultry producers. In this instance, USDA defined fair market value as follows:

> The appraisal of animals shall be based on the fair market value and shall be determined by the meat, egg production, dairy or breeding value of such animals.

These birds are income producing assets. Cost, as well as the income producing aspects, are primary elements in determining fair market value. I remind you that USDA is paying us cost only. This means the cost of supplies to grow the bird to the time of depopulation. There is no recognition or reflection in this figure for the future income producing value of the bird. We fail to understand why the same principle should not apply here. Indeed, when the court reviewed USDA's program, it agreed that future income producing value is an element of fair market value. We believe what was done in this instance was correct in principle and should be applied in our situation. After all, we are only asking that USDA do what the statute requires -- pay fair market value.

In conclusion, let me confirm our support for the expansion of the eradication program to include those birds affected by the low pathogenic form of this disease. I also wish to reassure you of our concern for the contract growers. We believe that those growers will be compensated if the industry as a whole is compensated at fair market value. Let me remind you that these contract growers will ultimately not be helped if the businesses that they work with fail. We believe that businesses will fail without proper compensation.

Pennsylvania has a long history of independence and we are bearing a large portion of the costs. What we are asking is a recognition on the part of all, including the federal government, that we are performing a national service. In return we should receive fair market value as the statute requires.

AVIAN INFLUENZA STATUS REPORT
Narrative Report No. 107
Task Force Day 79
January 26, 1984
7:30 a.m.

Total number of premises investigated: 672

Premises surveyed-- Within the Quarantine Area: 357
All Other: 200

	7 days ago	Yesterday	Today
Total premises declared positive:	248	257	258
Total premises appraised:	244	254	257
Total premises depopulated:	241	253	253

Cumulative number of birds appraised:	9,922,179
Appraised indemnity for birds:	$18,155,395
Cumulative indemnity depopulated birds:	$18,111,196

Classification of depopulated birds:

Layers	Broilers	Breeders	Turkeys	Guinea Fowl	Other	Total
6,067,420	3,502,681	220,155	83,598	28,353	6,197	9,908,404

Premises with approved C&D: 54

Depopulated premises released from Federal quarantine: 5

Personnel in place in Lancaster, Pennsylvania, include 305 Federal employees (including 130 temporaries), 39 State employees, and 64 others--including 40 military and 5 wildlife biologists assigned to the READEO, for a total of 408 employees. Also, in Ames, Iowa, 15 National Veterinary Services Laboratories (NVSL) employees are assigned to the READEO. In Hyattsville, Maryland, an additional 23 employees are assigned to eradication activities, for a total of 446 employees.

Cumulative obligations for indemnity are $19,464,170, with support costs of $5,559,951, for a total of $25,024,121 (as of 1/24/84).

Additional avian influenza dates and statistics are as follows:

This is the 76th day of depopulation.
The average indemnity for birds only is $1.83
The Federal quarantine was imposed in Pennsylvania on November 4, 1983.
The Extraordinary Emergency was declared on November 9, 1983.
The Federal quarantine was imposed in New Jersey on November 23, 1983.

STATEMENT OF WARREN MILLER

Good morning. I am Warren Miller. My wife and I are small independent egg producers. We own the birds and sell the eggs they lay to others who process and package them.

Due to avian influenza and depopulation, our entire flock of a quarter million laying hens was destroyed.

Since October 20th of last year, we have not had any income, but we still have our mortgage, taxes, insurance and other costs.

By the time we can repopulate our houses, a minimum of four months will have gone by. To make matters worse, it will be about another month and a half after repopulation before these birds are fully producing. In short, it will have been at least half a year before we get back to where we were before the flu hit.

With the money we received from USDA for our birds that were destroyed, I went to pay off my bird loans at the bank and I was still $10,000 short. The bank has not forced me to pay this amount yet.

I have lived my entire life on farms in Pennsylvania. I have no birds and no income. If I do not get fair market value for my birds which were destroyed, I face the possibility of foreclosure on my business and my heritage.

STATEMENT OF DALE ROHRER

Good morning. I am Dale Rohrer and I am a contract producer. I was raised on a poultry farm and I have run my own farm since graduation from high school. My family and I own two chicken houses in Lititz, Pennsylvania, in which we grow pullets. We receive chicks which are owned by the company for whom we serve as a grower. We receive an amount of money for each flock which we grow until the birds are about 20 weeks of age. We grow two flocks per house, per year.

As a result of the AI outbreak, USDA destroyed the flock in our largest house -- 90,000 birds. The facility in which the destroyed birds were housed has been cleaned and disinfected; yet we are not permitted to repopulate that house for at least 30 days. Our other smaller facility, on a different site, houses 60,000 birds, some of which have been found to have low path AI. These birds are already 22 weeks old and USDA has not allowed us to move them. Depending on what USDA decides, these birds may also have to be destroyed. In any event, the house will have to be completely cleaned and disinfected.

Fortunately, the company for whom we grow the birds has continued to pay us, even though we are not growing any birds in this house. These payments have enabled us to keep our heads above water, for the time being. However, when our semiannual mortgage payment becomes due in March, the money which we are now receiving will not enable us to meet this payment. Hopefully, we will find some way to get the money. Other contract growers may not be so lucky.

UNITED EGG PRODUCERS

STATEMENT OF ALBERT POPE, PRESIDENT

Senator SPECTER. I would like to call now on Mr. Al Pope for his testimony. I appreciate your being here, Mr. Pope.

Mr. POPE. Thank you, Mr. Chairman.

I think the first thing I want to do, and I think it has been evident throughout the hearing, and in recognizing the problem and talking about it, I would like to, as you so aptly pointed out, acknowledge the role that USDA has played in the past and the role that they are playing right now. I want to bring to your attention, so that we don't forget, that the involvement that we have gotten from this administration and the Department of Agriculture has been very, very cooperative. They have provided the leadership necessary in the areas of exports, imports, purchasing, animal welfare, inspection, and so on. So I, like yourself, want to point out the kind of cooperation and help that we have gotten from them.

I will try to really brief my statement here, if I can, so if you will bear with me just a minute.

Senator SPECTER. Mr. Pope, we will take your full statement, if you will just give us the highlights, the essential points, because we are running late.

Mr. POPE. Yes; I will try to do that.

My name is Albert Pope. I am president of United Egg Producers.

United Egg Producers is a federation of egg marketing cooperatives representing 60 percent of the egg production in the United States. We are and have been from the inception very concerned that the disease might spread and endanger the health of the Nation's laying flock, thus affecting the U.S. food supply.

The hot strain of avian influenza is a disease of such devastation that other countries which import our products can, and have in fact, refused to accept them. As Dr. Beard so aptly pointed out——

Senator SPECTER. Mr. Pope, what the subcommittee would really like to know is what your damages are.

Mr. POPE. We do support the Pennsylvania Poultry Producers. It changed dramatically, of course, when they went to the mild strain. We have supported fair market value for effective removal or eradication of the mild strain.

Senator SPECTER. As United Egg Producers, what damages have your people suffered?

Mr. POPE. The damages of United Egg Producers? Other than those in Pennsylvania, there have not been any damages.

Senator SPECTER. You represent the United Egg Producers nationally?

Mr. POPE. Yes; that is correct.

Senator SPECTER. But you do support the broader standard of compensation?

Mr. POPE. Yes; that is correct.

PREPARED STATEMENT

Senator SPECTER. That is fine. We have your written testimony. I think that really covers the essential point.

[The statement follows:]

STATEMENT OF ALBERT E. POPE

Thank you, Mr. Chairman, for providing the opportunity to speak to your subcommittee concerning the outbreak of the highly pathogenic avian influenza in Pennsylvania. (I will refer to it as the "hot" strain.) My name is Albert E. Pope, and I am President of United Egg Producers.

The United Egg Producers is a federation of egg marketing cooperatives representing 60 percent of the egg production in the U.S. We have closely followed this devastating outbreak and the federal/state/industry response to containing and eradicating this disease from the initial confirmation of the highly pathogenic virus in late October. We were and still are very concerned that the disease might spread and endanger the health of the nation's laying flock thus affecting the U.S. food supply. Our additional concerns rest with how the outbreak has affected Pennsylvania producers economically and how it may affect all poultry producers economically if our export markets continue to be closed because the disease is not completely eradicated. The "hot" strain of AI is a disease of such devastation that other countries which import our products can refuse to accept them. At least 11 countries have already placed a total or partial ban on imports of poultry and egg products. In the eyes of our overseas customers, if total eradication is not the obvious goal of USDA and the poultry industry, more markets could be closed and for a longer time.

Before I address the three specific areas you have asked us to comment on, I would like to give this subcommittee some idea of the economic factors affecting the egg industry nationwide. These conditions have a major impact on Pennsylvania producers who are out of production due to the eradication of the "hot" virus.

ECONOMIC CONSIDERATIONS

The egg industry has only recently recovered from three disastrous years of low egg prices. Producer prices have been below the cost of production for much of this time. In the last three years, our industry has lost approximately one-third of the individuals and companies involved in the egg business through bankruptcies, foreclosures and otherwise "getting out of the business". The survivors have been and still are heavily leveraged as a result of poor economics. Yet the outlook today, for other than Pennsylvania producers, is much better. We have made the painful cutbacks mandated by the "simply awful" economics primarily due to the loss of our export markets. These cutbacks coupled with the USDA commodity purchases (egg mix) for feeding programs, egg prices began strengthening as early as last summer and continued to rise during the fall and winter. When the hot strain of AI was confirmed in late October, the federal quarantine placed on the area, and the eradication program begun, the egg industry was making a solid recovery with profitable egg prices expected to continue and increase.

Certainly, the eradication of 6 million layers over the last three months has affected the price even more. Estimates are that it has accounted for an increase of 11 - 12 cents a dozen. The rest of the price increase, approximately 42 - 44 cents over last year (a total of 54 - 56 cents increase), has been due to other factors . . primarily the flock size adjustment that had already taken place in order to get supply in line with demand.

I would like to emphasize that Pennsylvania is one of the last and largest strongholds of the independent family farm and the small to medium size egg producer as well as several large complexes. Many did not survive the economic disaster of the last three years. Those that were still in the egg business and are now affected by the hot AI are those survivors. However, many of these family farmers may not be able to get back in business when this disease is finally eradicated due to lost revenue.

Another factor to consider is the plight of the contract producer who manages a flock to produce eggs for income but does not own the birds. If he is a victim of hot AI, the flock is destroyed and the owner of the birds is paid the indemnity, leaving the contract producer the ongoing expenses of overhead and the burden of making a living for his family. We applaud those bird owners who have either advanced their contractor money during this period or have shared the indemnity payment with them. If adjustments to the initial indemnity payment are made to reflect fair market value, we urge USDA to take steps to assure that the contract producer receives the benefit of that adjustment.

EFFECTIVENESS OF THE FEDERAL/STATE/INDUSTRY EFFORTS

From the beginning, UEP has supported the USDA Technical Advisory Committee and the Pennsylvania task force in all its efforts. We approve of the federal quarantine, the eradication of hot AI, and the eradication of the low (or mild) pathogenic AI virus by depopulating flocks that are still shedding the virus. Overall, we feel that USDA/APHIS, the State of Pennsylvania and the Pennsylvania poultry industry acted in a timely and responsible manner in accordance with their understanding of the disease and international standards regarding identification of the hot strain of the virus. The definition of "hot" has proved to be inadequate in this case where one virus seems to have caused both the hot and mild strains. Designating as hot only those flocks in which 6 of 8 inoculated test birds died may have allowed the disease to continue to spread. In light of this, we support the eradication of all forms of the virus in flocks that are still "shedding". It is important that fair market value indemnity is paid. This issue has been discussed by other witnesses and I will address it in detail in a moment. We also applaud the State of Virginia and the Virginia poultry industry for taking steps to eradicate the disease in the Shenandoah Valley as it has shown up without regard to whether it is highly pathogenic or of the mild variety.

UEP and the Pennsylvania task force have depended heavily on the recommendations of the technical advisors used by USDA/APHIS and have supported their recommendations.

LEVEL OF INDEMNITY

Both UEP and the Pennsylvania egg producers have had concerns from the outset regarding the level of indemnity for birds depopulated. However, everyone's first and foremost concern was the eradication of the virus. The schedule worked out by USDA and Pennsylvania producers is certainly fair as it relates to bird costs. It is not, however, the fair market value of the bird. As mentioned earlier, the egg industry had just entered a profitable period before the eradication program began . . . before the effect of eradication of 6 million layers was felt in the market. Producers without flocks now have no income and are not expected to have any income for a total of 6 months because of clean-up and quarantine procedures and the difficulty of obtaining replacement pullets. There is a precedent for payment of lost revenue in the case of eradicating Exotic Newcastle disease in the California egg industry in 1972. Details have already been provided by earlier witnesses. This Administration has time and time again demonstrated its sensitivity to industry problems. We know paying fair market values to Pennsylvania producers may pose problems, but in order to protect the nation's flock and consistent with past practices we see no alternatives and we may have to call upon Congress to Act.

We are even more concerned about the level of indemnity and the need to include lost revenue now that eradication of the mild AI is going to take place. Producers affected by both the hot AI and mild AI should receive fair market value for the birds that are destroyed. It was understandable that USDA got excellent cooperation from the producer whose flock was "hot" because he was losing 50-80 percent of his flock due to mortality and he had no egg production. The situation is entirely different economically for the producer whose flock is recovered from a bout with the "mild" strain and is now "healthy" and laying eggs that are selling for historically high prices. That flock will now be destroyed if it is still "shedding" the virus under the mild strain eradication effort regardless of mortality and egg production levels. At a net income approaching 50c per bird per month at current prices, a 50,000 bird operation could expect to lose income of $25,000/month for six months . . . income the producer needs to get out of debt. It will be next to impossible to get the same "excellent cooperation" as obtained when eradicating the "hot" strain. We urge that Pennsylvania producers receive fair market value that takes some of this lost revenue into account. We can't forget that there are still millions of dollars they will have to spend in buying new materials, disinfecting trucks, etc., to maintain quarantine. These costs will never be recovered.

"NON EMERGENCY" COMPENSATION

We also sympathize with those producers whose flocks succumbed or were destroyed because of the disease before an extraordinary emergency was declared in Pennsylvania and the federal eradication program -- with indemnity -- begun. We understand that the State of Pennsylvania will compensate these producers for the live birds they destroyed in order to halt the spread of hot AI. We applaud this decision and hope other states will do the same if flocks are destroyed before an extraordinary emergency is declared.

OTHER CONSIDERATIONS

I would like to briefly mention a few areas that deserve consideration either legislatively or through USDA policy actions.

1. Low interest emergency/disaster loans specifically devoted to this outbreak and available only to poultry producers affected by the AI outbreak and not to include any expansion of production. The normal process and current availability of FmHA and SBA loans is not sufficient to assist these producers.
2. A mandate that USDA/APHIS establish an emergency fund for disease situations such as this AI outbreak so immediate actions may be taken in accordance with scientific and technical advisors' advice without having to ask where the money will come from.

The egg industry is also interested in helping itself in the future. We are investigating the feasibility of disease insurance in the private sector, and may possibly wish to develop a crop insurance-type program where the government works hand in hand with industry for such disasters. This will be helpful only if there are future outbreaks, not the current one where producers are suffering severe economic losses.

In closing, the egg industry nationwide is quite frankly "scared to death" that the outbreak may go beyond the Pennsylvania area and affect the nation's flock. We strongly support the eradication of the milk virus-infected flocks but we are afraid that this program will not be as effective if fair market value is not paid. We all want to see the disease eradicated, not just controlled. None of us want or should accept anything less.

We would like to take this time to give a great deal of credit to USDA and this Administration for its sensitivity and leadership. It has responded to industry issues very decisively.

Unfortunately we must burden them with this monumental tragedy but we are inclined to believe and hope that they will respond in the same responsible manner as they have in the past.

I thank this Subcommittee for your interest and efforts on behalf of egg producers and other poultry producers. and will be pleased to answer any questions.

STATEMENT OF RONALD E. SHAFFER, FLOCK MANAGER

Senator SPECTER. I would like to turn now to Mr. Ronald Shaffer, an independent farmer.

Mr. SHAFFER. Ladies and gentlemen of the Senate Appropriations Agriculture Subcommittee. I am Ronald E. Shaffer, a flock manager under contract for labor and management of an 80,000 layer complex of an independent farmer. My pay is based on each dozen of marketable eggs. My knowledge of the poultry industry is acquired by working on a day-to-day basis with a recognized leader in the field of poultry production. Not being educated formally, I acquired through experience, reading, and attending a lot of service meetings, the knowledge to operate one of the best run production complexes in the country. I base this opinion on the fact that the U.S. State Department and the USDA have arranged for the top animal husbandry man from Mainland China to tour our complex and also other visitors from many nations. We have worked closely with Penn State University over the years. They have toured our complex with their dean and poultry science personnel. Cornell University poultry science personnel also have toured our complex. Recently, Claude Hess, the man I work with, was awarded the Master Farmer Award by Pennsylvania Farmer.

I wish to express my appreciation for the opportunity to address this Agriculture Subcommittee on the seriousness of the ongoing problems associated with avian influenza.

I have fought the disease twice in different flocks. In July 1983, we fought it; in November 1983, our flock was depopulated by the Federal Government prior to a lab test. It was found after they were dead that they had the mild strain by the criteria then set forth. Some flocks would have 1 percent mortality. Other flocks would have 25 percent mortality. The 1 percent would be classified as high-path. The 25 percent was classified as low-path. I know how devastating the disease is and its effects on the birds and the people dealing with it during its infestation and in its aftermath.

For months now I have seen the increasing need for independent farmers, contract farmers——

Senator SPECTER. Mr. Shaffer, we have your five-page statement. Will you please just hit the highlights.

Mr. SHAFFER. Sorry, sir. I don't want to take up your time.

We have been very critical of the task force. If depopulation is to work, we need to get the job over with now so farmers can regain confidence to repopulate and to end the spread or movement of the flu. I question depopulation alone as the answer. We need to take a hard look at vaccines if depopulation does not start to work soon. At the same time, we need to address the financial stress and costs now, not somewhere out in the future. We are involved in high tech and high finance operations.

We have, as you can see, described a five-tier system so you can get an idea of how we operate in our area.

Senator SPECTER. We see that, thank you.

Mr. SHAFFER. The avian influenza in the backyard flocks does definitely need to be addressed. When you read the paper here of who was compensated after the building owner, it reads like agribusiness. The labor—the people who are involved in working in the complexes—need unemployment compensation. Contract labor and management personnel like myself need some type of compensation. As you know, the Federal program is only paying for the birds. So, you see, the small farmer needs help, because he has no income and must move forward to clean up to be recertified. The bills are coming due, interest payments, and so forth. I understand now that some of the agribusiness contracts are advancing some funds for living expenses. That, in itself, is a good sign. The State of Pennsylvania also has a bill up to cover losses and cleanup costs before the Federal program now in effect.

We need a commission to be appointed, made up of independent farmers, contract farmers, agribusiness, State and Federal officials, to work out a workable program and implement it if all segments of our industry are to survive. Small farmers are first on the firing line, and we need to act now to save them because of pressing financial needs. Funds need to go directly to them, not roundabout. On a temporary measure, I have listed some things there, such as money for cleanup costs to be certified, low-interest loans to those with cash flow off farm from other industries, no-interest loans to those with cash flow on farm from other agriculture enterprises on farm, and outright grants to those only involved in poultry for cash flow. That is only a temporary measure, sir.

The Federal Government needs to come up with funds to cover fixed costs like insurance, depreciation, taxes, mortgage payments, utilities, and deterioration of equipment by enforced downtime.

As for myself, I have made the decision to quit farming. I canceled my contracts, leases on land rented, sold my cattle, and I will soon sell my machinery. I removed myself from any funds you may decide to make available now or in the future. This way I can address the problem without gaining anything financially. I want to make that very clear.

As a small farmer and flock manager, I see the pressing need out in the field. I am talking to a lot of farmers, and they are telling me their stories. Some are unbelievable. I ask nothing for myself, nor will I accept any funds. Funds must be made available at the earliest time possible to farmers to help those who want to go on farming.

I made my decision to quit, sell out, take my losses, and work to pay them off. At the same time, I will work to make the Government act with funding and to move faster to clean up the infected flocks, since they believe depopulation is the only answer. Fair market value for birds depopulated should be based on the market at date of depopulation. Also, let's make money available directly to farmers, not indirectly through the agribusiness people.

Also, we need funding in the future for research on the avian influenza with regard to the vaccines that are available but disallowed to find the truth regarding their effectiveness or to develop new ones that work.

It would be interesting to note—I have in my possession here a paper that was published—that there are a lot of States noted here that have used the vaccine. They were not on the list that USDA gave us. I believe there are six States listed as using the vaccine.

As for the future, we need some kind of tax on poultry products to provide a fund in the event that something like this would happen in the future. The Government should move swiftly with funds available to cover losses and costs.

Another point needs to be made concerning the excess profits being made by our sacrifices. Why didn't the USDA lock prices of products at levels where the program of depopulation was started? We would then have a pressing reason to move more quickly on depopulation, to finish the job. As it now stands, the longer USDA takes, the more birds are infected and more profits are made outside the quarantined area. What about the flocks now infected in other States not in this program?

I just saw in this morning's paper that Virginia and Maryland have infected flocks now.

My last question to you is: How do you expect our industry as a whole to survive without some kind of aid during the infestation of avian influenza and its aftermath as we work to repopulate, regain our markets, and save the jobs dependent on poultry farmers and in related industries?

Thank you, and please feel free to ask any questions you might have.

I have a lot of articles I have clipped out of the newspapers. I do a lot of reading. I don't have all of my things on hand here. But if I can't answer the question, I will try to find it in my papers.

Senator SPECTER. Thank you very much, Mr. Shaffer. Your testimony has been most helpful. We will place your complete statement in the record.

[The statement follows:]

STATEMENT OF RONALD E. SHAFFER

Ladies and Gentlemen of the Senate Agriculture Subcommittee on Appropriations. I am Ronald E. Shaffer, a flock manager under contract for labor and management of an 80,000 layer complex of an independent farmer. My pay is based on each dozen of marketable eggs. My knowledge of the poultry industry is acquired by working on a day-to-day basis with a recognized leader in the field of poultry production. Not being educated formally, I acquired through experience, reading and attending a lot of service meetings, the knowledge to operate one of the best run production complexes in the country. I base this opinion on the fact that the United States State Department and the USDA have arranged for the top animal husbandry man from mainland China to tour our complex. Also other visitors from many nations. We have worked closely with Penn State University over the years. They toured our complex with their Dean and Poultry Science Personnel. Cornell University Poultry Science Personnel also toured our complex. Recently Claude Hess, the man I work with, was awarded the Master Farmer Award by Pennsylvania Farmer.

I wish to express my appreciation for the opportunity to address this Agriculture Subcommittee on the seriousness of the on-going problems associated with Avian Influenza.

Having fought the disease twice in different flocks, I know how devastating it effects are on the birds and the people dealing with it during its infestation and in its aftermath.

For months now I see the increasing need for independent farmers contract farmers, agribusiness, state and federal governments to join ranks and cooperate fully to bring an end to the spread of this disease if we are to survive as a healthy industry in the future.

If depopulation is to work, we need to get the job over with now so farmers can regain confidence to repopulate and to end the spread or movement of the flu. I question depopulation alone as the answer. We need to take a hard look at vaccines if depopulation does not start to work soon. At the same time, we need to address the financial stress and costs now -- not somewhere out in the future. We are involved in high tech and high finance operations.

So that you can better understand the poultry industry in our area, I want to explain a five tier system.

1. We have backyard flocks on any country road. You can find them numbering from one to several hundred to a flock. Together numbering somewhere over a million chickens. Also geese, game birds, turkeys and pigeons -- all of which can get Avian Influenza.
2. Breeder birds owned by hatcheries for feed companies to control genetics for meat or egg production.
3. Broilers, meat chickens owned by processors or feed company - 100% controlled by them on contracts.
4. Pullets, young birds raised for layers, are for the most part, under contract by hatcheries, fed companies, egg processors, investor groups, foreign and local, and some independents to control quality and vaccine programs.
5. Layers for egg production. A lot of contracts with birds owned by food companies, egg processors, poultry equipment companies, foreign investors in forms of local companies, private investors, groups of professionals, independents with money loaned from banks, a few independents who own outright.

Covering labor in some of these operations, who have individuals who contract labor and management of these flocks for a share of marketable products.

Also we have hired labor. As you know the federal program only pays for the birds. So you see the small farmer needs help because he has no income and must move forward to clean up to be recertified. The bills are coming - dues, interest and payments.

I understand now that some of the agribusiness contracts are advancing some funds for living expenses. That in itself is a good sign. The state of

Pennsylvania, also has a bill up to cover clean-up costs and losses before Federal Program now in effect. We hope it will pass.

We need a commission to be appointed -- made up of independent farmers, contract farmers, agribusiness, state and federal officials to work out a workable program and implement it if all segments of our industry are to service. Small farmers are first on the firing line and we need to act now to save them because of pressing financial needs. Funds need to go directly to them - not round-a-bout.

Money for clean-up costs to be certified needs to be made available.

Low interest loans to those with cash flow off farm from their industries - Builidng contractors, etc.

No interest loans to those with cash flow on farm from other agriculture enterprises on farm -- dairy, etc.

Outright grants to those only involved in poultry for cash flow.

The federal government needs to come up with funds to cover fixed costs like insurance, depreciation, taxes, mortgage payments, utilities, and deterioration of equipment by enforced downtime.

Funds for employees put out of work by downtime.

Funds for labor and management contractors with no cash flow and work going forward because of contract obligations and the federal depopulation program.

As for myself, I've made the decision to quit farming. I cancelled my contracts, leases on land rented, sold my cattle and will soon sell my machinery. In cancelling my labor and management contracts, I removed myself from any funds you may decide to make available now or in the future. This way I could address the problem without gaining anything finacially. As a small farmer and flock manager, I see the pressing need out in the field. Funds must be made available at the earliest time possible to farmers to help those who want to go on farming. I ask nothing for myself nor will I accept any funds. I made my decision to quit, sell out, take my losses, and work to pay them off. At the same time, I will work to make the government act with funding and to move faster to clean up the infected flocks since they believe depopulation is the only answer. Fair market value for birds depopulated should be based on the market at date of depopulation. Also let's make money available directly to farmers -- not indirectly.

Also we need funding for research on the Avian Influenza with regard to vaccines that are available but disallowed to find the truth regarding their effectiveness or to develop new ones that work.

As for the future , we need some kind of tax on poultry products to provide a fund in event that something like this would happen in the future. The government should move swiftly with funds available to cover losses and costs.

Another point needs to be made concerning the excess profits being made by our sacrifices.

Why didn't the USDA lock prices of products at levels where program of depopulation was started? We would then have a pressing reason to move more quickly on depopulation. To finish the job! As it now stands, the longer USDA takes the more birds are infected and more profits are made outside the quarantined area. What about flocks infected now in other states not in this program?

My last question to you is -- How do you expect our industry as a whole to survive without some kind of aid during the infestation of Avian Influenza and its aftermath as we work to repopulate, regain our markets and save the jobs dependent on poultry farmers and in related industries.

Thank you - and please feel free to ask any questions that you might have.

[CLERK'S NOTE.—Subsequent to the hearing, Mr. Shaffer submitted the following letter:]

LETTER FROM RONALD E. SHAFFER

The Agriculture Subcommittee on Appropriations
Senator Arlen Specter

Dear Senator Specter:

When you held the hearing on January 26 we did not have the time to address some of the questions that arose during the hearing. Two of which I wanted to. One concerning the statement that no one requested the use of the vaccine from U.S.D.A. because its use was requested by Mr. Claude H. Hess and was turned down by Dr. Joseph. Also the facts would bear this out. The vaccine was ordered for use on our birds when approval could not be made it was shipped to Minneapolis for use there. Please note this in the copy of statement Mr. Hess was to make on November 17 hearing which was cancelled and I gave you to insert in the record of the hearing January 26, 1984. Please note also this was before our flock was infected.

Now concerning the statement that no one resisted depopulation efforts of U.S.D.A task force. In talking to John Atwell on January 27 he clarified to me that he meant only that no one took them legally into the court system. There was resistance but when feed does not get in or products out, eventually you cave in and sign. In one case Mr. Hess only wanted them to wait on the lab test results. All efforts failed to get them to wait. When threatened with a court injunction, he signed only to find out after the birds were dead, they had low path by guidelines set for by their interim rule guide at that time. Look at the monetary loss because of their decision. Unjust!

Now U.S.D.A is killing the low path flocks, but if they are as inconsistent in deciding who is to depopulate as they were with high path, I suspect some flocks to be here operating as before. Some how U.S.D.A. needs to adopt a consistent method to cover this concern.

When it comes to C & D, it seems inspectors have a wide interpretation of what is acceptable. Uniformity is nonexistent.

Concerning the tax I talked about but did not have time to properly address. A checkoff would have been a more appropriate word; by collecting funds from the poultry industry nationwide to pay off the losses incurred now as collected. When this would be finished, the money collected then would go into a reserve fund to provide funds in the future to move quickly to eradicate any outbreaks of disease in the future and pay for losses incurred. The checkoff would be on each dozen of eggs or pound of meat sold. This is only a suggestion. In the meantime, farmers need funds to survive now. Any help from the Federal government would certainly help them to do just that. Some farmers the government depopulated have monthly payments sometimes in the thousands of dollars on the poultry complexes. One man depopulated said his interest alone runs $435.00 a day. How can he survive with no income? Farmers have huge investments in the poultry complexes. Farmers have worked hard to keep costs down but producing products which are good buys for the consumer has meant investing large sums of capital.

The funding you decide on should somehow be required to go to farmers owning these complexes. Be it in the form of fair market value for birds at the time of depopulation or a downtime payment.

Without some type of federal aid our industry and cheap poultry products in this country will be a thing of the past.

Sincerely yours,

Ronald E. Shaffer

COMPENSATION FOR INDIRECT LOSSES

Senator SPECTER. Mr. Miller, I believe your testimony has been submitted.

Mr. MILLER. Yes.

Senator SPECTER. So I think that concludes the panel. Mr. Secretary, I think it has been very useful to have the exchange where the people from Pennsylvania's affected area have had the chance to present their views not only to the subcommittee but within your hearing range as well. I wonder if you might address briefly the issue of the other facets of losses as Secretary Hallowell outlined: people in the marketing aspect, the feed mills, the farmworkers, and farm suppliers. Is there any way that the range of compensation could be extended to those people who are really fairly direct losers as a result of avian flu?

Mr. MCMILLAN. That is a tough question, Mr. Chairman. Any time you have disruption of this magnitude, it has an impact all the way up and down the line. It is just not those who are directly affected by the depopulation, for example, in the case of birds, as has been stated by Secretary Hallowell. The feed people are hurt. The economies of countless small communities are hurt. I frankly don't know how you can address those types of problems. Any type of disaster, and I consider this a kind of a natural disaster, has that effect. I just don't think there is any equitable way you can really resolve those problems that inevitably occur.

Senator SPECTER. Secretary Hallowell, the estimate has been given that there are $61 million in damages which are going to be covered. It would be twice that if the appropriate measure of damages were applied. Would you have any estimate as to what we would be talking about if we extended the damages to the categories that you have identified?

Mr. HALLOWELL. It is very difficult to come up with a figure, partly because it is difficult to know what time period we are talking about. Charlie and some of the others itemized costs per month. The costs we are talking about are more or less the fixed costs of depopulation and actions we are taking now. We are probably talking about more than an equal amount of loss to the overall economy of Pennsylvania, or the United States.

Senator SPECTER. Do you think we are talking about another $122 million, roughly, as a result of the indirect losses?

Mr. HALLOWELL. Yes; and that is because of the time period we are talking about with the depopulation.

Maybe one way I would answer your question of what we can do is to make sure it is just a period of time while we are depopulating, controlling the disease, that we don't see these farmers go out of business forever. What we really need to do to help the economy in the future is to make sure these farmers are compensated and do stay in business, so that they do again return to buying the feed and selling the animals and doing all the things for our consumers and our economy that they have been doing.

Senator SPECTER. Secretary McMillan, what about Mr. Warfel's point about losses before declaration?

Mr. MCMILLAN. Indemnity on those that died or were depopulated before?

Senator SPECTER. Yes.

Mr. MCMILLAN. The regulations do not permit us to pay for losses before we were involved, Senator.

Senator SPECTER. It has to come after the date of declaration?

Mr. MCMILLAN. That is right. You have the declaration, and from that point forward we are able to pay indemnities after a flock has been diagnosed and appraised.

Senator SPECTER. It seems to me to be a rather arbitrary and unfair cutoff, where the dead birds are directly related to the problem covered by the declaration.

Mr. MCMILLAN. Well, I am sure it could be interpreted that way. But as in anything, you have to have a starting point, and that happens to be where this one is.

Senator SPECTER. Mr. Warfel, would you have any idea what would be involved in those losses before the declaration?

Mr. WISMER. I think I spoke to that, Senator. One of the gentlemen is right over there on the side. But I don't know what they are.

Mr. SHAFFER. I think there are 40 or 50 flocks involved prior to the Government program.

Senator SPECTER. What would that involve in the dollar sense?

Mr. WISMER. We would have to know how many chickens we are talking about.

Senator SPECTER. Secretary Hallowell, give me an estimate.

Mr. HALLOWELL. If we are talking about those that were later depopulated because they had the highly pathogenic, we are talking about the $400,000 which our department has sent applications to the farmers and will be paying them from. But that does not cover the losses in the mildly pathogenic ones which go back to as far as April. That would cover the losses on the farms that were later depopulated, because it was determined that they had the H-P. We are preparing to do that.

Senator SPECTER. I think that is about as far as we can go this morning. We have circulated yellow pads around to everybody in the audience. I would appreciate it if you have not yet signed your name and address that you do so before you leave.

What I propose to do today, if I can, and absolutely no later than tomorrow, is to send a letter to David Stockman of the Office of Management and Budget, who has to make decisions on the subject I was dealing with Secretary McMillan on as to a broader range of damages, to summarize the testimony here today, to bring it to his attention at the earliest possible moment. I will try to do it today, if I can, but I will have it done by tomorrow. I would like to send all of you a copy of the letter which will give a brief summary of the highlights of the testimony. It will take several days for the notes to be transcribed. I realize the urgency of the problem and will try to move ahead with the appropriate agencies. So if you will leave your names and addresses, we will keep you informed as to what we are doing by way of followup.

SUBMITTED QUESTIONS

I want to thank very much the representatives from the U.S. Department of Agriculture, Secretary McMillan, and his colleagues. We have some questions from Senators Cochran and Byrd which we will submit to USDA to be answered for the record. I also want to thank very much Secretary Hallowell and the gentlemen who have come from Pennsylvania, and Kevin Mills, my deputy, who is working on this matter. We stand ready to listen to any other problems you have and to try to work to a fair solution for everybody.

Thank you all very much for coming.

[The following questions were not asked at the hearing but were submitted to USDA for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

GENERAL INFORMATION

Question: Does avian influenza affect any other animals besides chickens and turkeys?

Answer: In general, the natural host range for influenza viruses is quite broad. For any one virus, however, the range may be limited with regard to infection and susceptibility. Such is the case with H_5N_2 avian influenza, which has been isolated only from domestic poultry.

Question: How is it transmitted?

Answer: Spread normally occurs through the movement of birds, man, and equipment. Almost everything associated with poultry or eggs from infected flocks is capable of transmitting the virus. Studies on the possibility of spread by aerosol are also underway. Once a bird becomes infected, it sheds the virus and contains extremely high titers of the virus in all tissues and manure. Any contact with these birds can result in spread of the disease.

Question: Does weather affect its transmission?

Answer: Weather does affect the transmission of influenza viruses, which thrive when the weather is cool and humid. The viruses are susceptible to ultra-violet light and drying, so survival is markedly reduced in hot, dry weather.

Question: Are migratory birds affected or are they carriers?

Answer: Migratory birds can be carriers and affected by influenza viruses. In the current outbreak, wildlife has been almost completely ruled out as a means of spread. We have drawn thousands of samples from free-flying birds and have failed to isolate the virus.

Question: Is the disease fatal in all cases?

Answer: No, there is considerable variation within infected flocks regarding mortality rates. The dose of virus received, stress factors, and the immune status of each individual bird are all factors which determine whether or not a bird will recover.

Question: Can it be cured?

Answer: No, there is no known treatment for this disease at this time.

Question: What research has been done on the disease?

Answer: We have identified approximately 25 studies which would provide a better understanding of avian influenza. The Agricultural Research Service and other scientists are taking the lead in investigating pathogenesis of avian influenza, shedding time, virus survival in eggs and meat, molecular comparison of virus strains, and transmission factors.

Question: Has any of the meat of diseased animals reached the marketplace?

Answer: Poultry and poultry products have been processed from flocks that may have experienced the low pathogenic avian influenza strain before the recent program change. However, because the avian influenza virus has been shown not to infect humans and is not a public health hazard, this represents no risk to man. Also, poultry carcasses are inspected by the Food Safety and Inspection Service at slaughter, and if found unfit for human consumption, the carcasses are condemned.

DEPOPULATION

Question: How are the diseased animals being killed?

Answer: Birds are being euthanized with carbon dioxide gas in large, sealed dumpsters. Carbon dioxide is regulated into these units before the birds are placed inside.

Question: Is there a more humane way?

Answer: Destroying the birds with carbon dioxide gas is a humane method of depopulation. We purposely changed from using carbon monoxide to assure that poultry are quickly and humanely rendered unconscious before death.

Question: What do you do with them after they have been killed?

Answer: All destroyed birds are currently buried at landfills within the quarantine zone.

Question: Can the disease spread from the carcasses?

Answer: Tissues and feathers of infected birds contain viable virus for varying lengths of time; therefore, infected carcasses pose a potential risk of spreading avian influenza. As dead birds are brought to the landfill, the carcasses are immediately covered. Trucks and personnel are cleaned and disinfected. Trucks are also tightly covered to prevent spread along the highway.

Question: How long do you expect the extermination program to take?

Answer: Depopulation of infected flocks will occur as long as diseased birds are found. It appears that the Pennsylvania outbreak has slowed down substantially. If the disease does not spread outside of the present quarantine zones, the avian influenza eradication program will probably last until this spring or early summer. Surveillance activities will continue for up to 1 year after the last infected flock is found. This is to assure that all possible foci of infection are discovered, and if new cases are found, immediate action can be taken to prevent a widespread outbreak.

Question: Will the extermination effort stop the disease?

Answer: We believe that current program efforts will stop the disease. The spread and perpetuation of avian influenza is a correlation of the number of existing cases and the amount of exposure between infected flocks and noninfected susceptible flocks. Destroying diseased birds is the only feasible way to eliminate new cases and prevent spread. All experts agree that the current avian influenza program has prevented the spread of this disease to the entire eastern poultry industry. In the last few weeks, there has been a dramatic decrease in newly infected flocks in Pennsylvania which is evidence ofthe effectiveness of the current eradication strategy.

INTERNATIONAL TRADE RAMIFICATIONS

Question: Have any restrictions on exports of U.S. poultry and poultry products to foreign countries been made? To what extent?

Answer: As of January 28, 1984, 13 countries have placed restrictions on poultry and poultry products from the infected States, or in some instances, from the entire United States. The countries restricting our exports are: Canada, Switzerland, the Netherlands, Japan, Argentina, Brazil, Singapore, Mexico, Italy, France, Spain, Colombia, and Panama.

Question: What is the annual value of these exported products?

Answer: The total value of exports of poultry and poultry products from the United States to these 13 countries is $173 million. Since some of these countries are restricting embargoes to just the States with infected flocks, this total is somewhat less.

Question: What affect will this have on our reputation as a reliable supplier?

Answer: As long as another country is not inadvertently infected with avian influenza from the United States, our reputation as a reliable supplier will not be affected.

INTERSTATE TRADE RAMIFICATIONS

Question: What other States besides Pennsylvania are affected?

Answer: Three States in addition to Pennsylvania are presently affected by avian influenza--they are Maryland, Virginia, and New Jersey.

Question: Have you quarantined any counties in those States?

Answer: New Jersey currently has a portion of one county under Federal quarantine but has had as many as four counties quarantined. Maryland currently has one county, and Virginia all or part of six counties under Federal quarantine.

Question: Are other States being threatened by this disease?

Answer: Essentially, any State engaged in commerce of poultry, poultry products or by-projects, or used equipment, such as egg cases, coops, flats, trucks, manure, and miscellaneous handling, feeding, and watering equipment are in danger of becoming infected. But, the contiguous States to Pennsylvania, Maryland, Virginia, and New Jersey are especially susceptible because of their proximity to the affected areas.

Question: Have they taken measures to prevent the spread and to protect their own poultry?

Answer: In addition to their own measures to tighten security on premises, States and industry are educating producers on disease prevention precautions, cleaning and disinfecting, and premises security. These actions are being taken to address concerns over the movement of personnel, materials, and other items that are difficult to control.

Question: What is the Federal role in this regard?

Answer: Federal personnel have held and are still scheduling training sessions concerning disease transmission and means to decrease disease spread by increased security of premises and proper cleaning and disinfection. In addition, compliance cases have been initiated for violations of the quarantine regulations. Premises known to be affected have security guards posted to control movements and monitor cleaning and disinfection. Processing plants are also under close scrutiny for maintenance of biosecurity.

FEDERAL PARTICIPATION

Secretary Block signed a Declaration of Emergency on November 9, 1983, because of the outbreak of avian influenza. It is my understanding that this declaration authorizes the transfer of funds, as may be needed, to eradicate the disease.

Question: What is the amount of Federal dollars spent as of this time?

Answer: As of January 28, 1984, the Federal government has incurred obligations of $25.7 million. This constitutes indemnity payments of $19.8 million for 258 flocks containing 10.1 million birds. The remaining $5.8 million was obligated for operating costs.

Question: What accounts have these funds come from?

Answer: The $61.7 million made available for the eradication work has all been transferred from the Commodity Credit Corporation.

Question: Have you transferred or reprogrammed monies from other programs?

Answer: No. Funds to finance the Federal portion of the avian influenza eradication effort have come from only the transfer of Commodity Credit Corporation monies.

Question: Have you used any contingency funds? Why not?

Answer: The Animal and Plant Health Inspection Service contingency fund for FY 1984 is $1 million. This amount is insufficient given the magnitude of the avian influenza problem.

Question: Will you be submitting a supplemental request? (We will be considering a supplemental appropriations bill sometime this spring or early summer.)

Answer: We do not anticipate the need for a supplemental appropriation. The avian influenza eradication work is being funded entirely through transfers from the Commodity Credit Corporation. At some point, the Commodity Credit Corporation will have to seek some sort of an appropriation for reimbursement to cover these transfers.

Question: What is the anticipated cost to eradicate this disease?

Answer: We currently estimate that Federal costs associated with the eradication of avian influenza will total $61.7 million. This is based on finding an estimated 560 flocks infected with lethal avian influenza.

Question: Has the government paid any indemnities for chickens that were killed in Virginia? If so, how much? If not, why not?

Answer: The first four infected flocks in Virginia were found beforeJanuary 25, and were destroyed through State and industry efforts. Flocks found after this date will be indemnified with Federal Funds. Initially, the Federal effort included eradication of only the highly pathogenic strain of the virus. On January 25, the direction of the program was changed to include eradication of both the high and low pathogenic strains of the virus. The depopulation of four flocks by the State and industry in Virginia took place before this change in program direction.

BACKGROUND AND POTENTIAL PROBLEMS

Question: Are all areas of the country susceptible to infection, or are there areas where the disease could not survive?

Answer: Poultry populations in all areas of the United States are equally susceptible to avian influenza. Infections in any new populations would be just as devastating as the Pennsylvania outbreak.

Question: Is there any precedent for this type of situation?

Answer: There are no applicable precedents. The only other avian influenza outbreak of this magnitude in the United States was in 1924-1925 and eventually spread to nine States. After all infected and exposed birds were destroyed they were disposed of by burning and burial. This outbreak began in the fall of 1924 and was eradicated in May of 1925. The poultry industry today is highly integrated with production systems that bring together millions of birds in close proximity; this did not exist in the

1920's. The velogenic viscerotropic Newcastle disease (VVND) outbreak in 1971-1972 was the last major poultry disease emergency eradication effort; however, this was not an influenza virus.

EGGS

Question: Does this disease affect eggs laid by diseased birds?

Answer: Avian influenza infections in layer flocks have often resulted in a precipitous decrease in egg production for the entire flock. Besides this production drop, many eggs that were laid were small, lacked shells, or were defective in appearance. Some infected birds that recovered never returned to production because of damage to their reproductive systems, while others returned to full production. The avian influenza virus has been recovered from the outside surface of the egg, and recently, viable virus has been recovered from both the yolk and white of eggs laid by hens acutely infected with the disease.

Question: Does it affect fertile or infertile eggs, or both?

Answer: Both fertile and infertile eggs can be affected. Often the chick embryo is killed within a fertile egg due to avian influenza viral damage. Infertile eggs laid by diseased chickens are often small, lacking shells, or appear defective.

Question: Are offspring diseased?

Answer: Preliminary results suggest that newly hatched offspring originating from an infected hen are not infected. However, exposure and infection are likely to occur through contact if the disease is still present in the flock.

Question: Can humans contract the disease from eating eggs? In any manner?

Answer: Humans cannot become infected from eggs or any poultry product. The disease is not a public health hazard. As a precaution, we are monitoring most of our personnel that have been exposed to avian influenza virus, and none have become infected.

COMPENSATION TO FARMERS

Question: How much has this cost farmers?

Answer: As of the middle of January, the Pennsylvania poultry industry estimated their costs associated with the eradication effort at $22 million. This sum is attributed to precautionary measures such as cleaning and disinfection of trucks and machinery, confinement of service crews, destruction of materials, diversion of management personnel and laborers, and layoff of industry personnel. The industry has also assumed full responsibility for cleaning and disinfecting premises. Costs for this part of the program have exceeded $1.2 million.

In addition, the Pennsylvania poultry industry has estimated their losses to be $17 million, after indemnity payments, in lost profits due to a decline in meat and egg production, $14 million per month in lost income to poultrymen, and $56 million in losses to allied industries due to a decline in feed consumption and other related products.

The New Jersey and Virginia poultry industries have also suffered losses. Three egg processing plants in New Jersey lost approximately $1 million each. To bring these plants back in operation will cost about $250,000 each. The Virginia poultry industry has spent $850,000 to depopulate flocks.

Question: What is the estimated potential cost to farmers?

Answer: If the disease were to become widespread in the United States, the potential cost to farmers could exceed $780 million in additional production costs and the value of birds lost to disease. In addition, most countries would ban the importation of live poultry, poultry products, and eggs from the United States which were valued at more than $500 million in 1982.

Question: Do you plan to compensate farmers who suffered losses before the emergency was declared?

Answer: We have no such plans. The statutory authority for payment of indemnity is contained in 21 USC 114a and 134a which does not include the authority to compensate farmers for losses incurred prior to the declaration of an emergency.

Question: How do you determine what to pay the farmer?

Answer: The Secretary of Agriculture sets indemnity rates based on the recommendations of the Economic Research Service. It is USDA's policy in this outbreak to indemnify owners for the value of the birds that must be destroyed to eliminate infection from premises where positive cases of avian influenza have been diagnosed.

Question: What costs, other than indemnity, does the Federal Government cover?

Answer: Aside from indemnity costs, Federal funds are used to conduct surveillance activities, enforce the Federal quarantine, carry out the actual depopulation work and dispose of the carcasses and other materials at designated landfills. In addition, Federal funds are used to demonstrate effective cleaning and disinfecting techniques, and inspect premises before they are released from quarantine and allowed to restock.

Question: What costs do the States cover?

Answer: Each State has provided varying amounts and types of assistance. The Pennsylvania Department of Agriculture has spent approximately $500,000 since November 1983. They have supplied vehicles, equipment, personnel, technical assistance, and two lab facilities. The Pennsylvania State Police have provided assistance in ensuring compliance with regulations. Other Pennsylvania State agencies, such as the Department of Environmental Resources, General Services Administration, and National Guard, are contributing technical and logistical assistance to the program.

The Governor of Virginia has alloted $200,000 to cover program costs and $30,000 for laboratory support. New Jersey has spent $8,000 in salaries because of the disease. Maryland has spent $6,000 for indemnity payments.

Question: What role has industry played in this disaster?

Answer: The poultry industry has played a major role in the effort to eradicate avian influenza. In addition to the losses and expenses incurred as a result of the disease, the owners are responsible for cleaning and disinfecting the premises after depopulation occurs. They aid by reporting the disease, participating in the dead-bird pickup surveillance program, and assisting in controlling the movement of people and animals. The industry has also assisted in educating poultry producers and allied industries in measures to prevent further spread of the disease.

Question: Who pays for the cleaning and disinfecting of the premises after the chickens have been killed?

Answer: The owner of the premises where birds are depopulated pays the costs incurred for this aspect of the program.

RESEARCH

Question: I understand there are many different strains of avian influenza. How many have your researchers found?

Answer: Influenza viruses are broadly categorized into Types A, B, and C. Types B and C are primarily human influenzas. Type A influenza virus can infect a large host range; however, the avian influenza virus in Pennsylvania, which is a type A, has only been found in poultry. The Type A group is further defined by their surface antigens, which are either hemagglutinin (H) or neuraminidase (N)—there are 12 different H's and 9 different N's. Any combination of these types may be found in nature; therefore, 108 possible combinations exist.

Question: Is it possible to know how many of those have the potential of becoming highly pathogenic?

Answer: With the current information available, it is not possible to predict the pathogenicity of these types.

Question: How many researchers do you have assigned specifically to this outbreak?

Answer: There are approximately 12 people who are involved in either field studies or research projects on avian influenza.

Question: Do you plan to continue intense research on the various strains, or will your staff return to normal operations once this strain is eradicated?

Answer: APHIS does not conduct research per se but is involved in recommending research in areas that are applicable to disease eradication and control. Even after the disease is eradicated, we believe more work needs to be done on vaccine production and trials, possible treatment regimens, and epidemiology and pathogenesis of the avian influenza virus.

Question: Where is research on avian influenza being conducted?

Answer: Field studies are conducted at the National Veterinary Services Laboratories (NVSL) at Ames, Iowa. Research is being conducted at the St. Jude Children's Research Hospital in Memphis, Tennessee; the University of Wisconsin;the Agricultural Research Service's poultry laboratory in Athens, Georgia; and the Task Force facility in Pennsylvania. The National Institutes of Health (NIH) are also supporting some avian influenza research.

FARMERS HOME ADMINISTRATION

Question: Has the Farmers Home Administration been able to offer any assistance to the farmers who have been affected by this disaster?

Answer: Farmers Home Administration insured and guaranteed farm ownerships and operating loans may be made to poultry farmers who have suffered losses due to the avian influenza outbreak. In addition, guaranteed economic emergency loans are available. Disaster emergency loans may not be made since it does not appear that the spread of the virus is due to unusual or adverse weather conditions.

Question: What aid do you have available for the victims of this type of emergency? Who may apply? What can the loans be used for?

Answer: As stated in the previous question, certain Farmers Home Administration loan programs are available. Farm ownership and operating loans are limited to family size farmers. Economic emergency loans are not limited to family size. There is a "test for credit", meaning that Farmers Home Administration loans are made only to farmers who cannot get the credit they need from other sources. Loans may be made for real estate and production purposes, including refinancing debts, making payments of debts, farm development, financing livestock and equipment, and annual production expenses.

Question: What limits are placed on the loans? What are the terms and rates?

Answer: Insured and guaranteed farm ownership loans have a maximum indebtedness of $200,000 and $300,000, respectively. Insured and guaranteed operating loans have a limit of $100,000 and $200,000. Farm ownership loans have a maximum 40-year repayment term. The present rate of interest on farm ownership is 10.75 percent for regular loans and 5.25 percent for limited resource operations. Operating loans have a maximum initial repayment period of 7 years and may be rescheduled for additional time. The present rate of interest for regular operating loans is 10.25 percent for regular loans and 7.25 for limited resource operators. Economic emergency loans may be for real estate on chattel purposes with repayment ranging up to 40 years, depending upon the purpose of the loan. The interest rate for insured economic emergency loans is 10.25 for production purpose loans and 10.75 for real estate purpose loans. Guaranteed farmer program loans bear an interest rate negotiated between the borrower and lender.

Question: What security is required?

Answer: Real estate purpose loans must be secured by a lien on the farm and other items, if determined necessary. Production purpose loans are secured by a lien on crops and chattels and, when necessary, a real estate lien.

QUESTIONS SUBMITTED BY SENATOR BYRD

The poultry industry is a vital component of the total agricultural economy in West Virginia. West Virginia ranks 17th in the Nation in turkey production and 21st in broiler production. The industry represented revenues of about $60 million in 1983. Obviously, the outbreak of avian influenza has been viewed with grave concern by those in my state who rely on the poultry industry for their livelihood.

The avian influenza outbreak in Pennsylvania has spread to New Jersey and to Virginia.

Question: What type of surveillance or monitoring programs do you have in place to detect the presence of avian influenza in other States?

Answer: The Animal and Plant Health Inspection Service (APHIS) is supplying diagnostic reagents to all diagnostic laboratories who wish to test for avian influenza. Our laboratory in Ames, Iowa, the National Veterinary Services Laboratories, will test any samples submitted to them from the States or industry for the presence of avian influenza virus. There are many tests being conducted each day throughout the United States to screen for the disease. APHIS has also set up meetings with industry representatives, the Extension Service, and regulatory officials in other states at risk to the disease. These meetings alert and sensitize individuals to the signs of avian influenza and are a productive means of surveillance.

Question: Has avian influenza been detected in any other States?

Answer: To date, Pennsylvania, Maryland, New Jersey, and Virginia have had flocks with H_5N_2 avian influenza. H_5N_2 designates specific identifying characteristics of the virus we are combatting in this outbreak. A mildly pathogenic strain, which is occasionally found in turkeys but thought to be self-limiting, currently exists in California, Minnesota, and Texas.

Question: Are you monitoring for both high and low path avian influenza?

Answer: We monitor populations for all forms of avian influenza. This is done by investigating flocks showing signs of the disease and by sampling dead birds from all flocks within the quarantine zone. We now know through experience gained in Pennsylvania that the low and high pathogenic are no longer distinct entities. That is, these types often are found concurrently in the same flock, with perhaps other forms. Our diagnostic capabilities are not sensitive enough to consistently differentiate between the low and highpathogenic strains. We are now collectively referring to all forms of avian influenza as lethal avian influenza. This includes strains we were calling highly pathogenic, low pathogenic and, nonpathogenic.

Question: Where has low path avian influenza been detected?

Answer: Low pathogenic avian influenza has, of course, been found in Pennsylvania. The avian influenza cases found in Virginia and Maryland were diagnosed as low pathogenic avian influenza. However, we cannot be certain that the cases found were limited to only low pathogenic because of our diagnostic capabilities.

Question: Does the Department have the necessary resources for a complete eradication program for both high and low path avian influenza?

Answer: Yes, we currently estimate that the eradication program for lethal avian influenza will cost $61.7 million. This amount has been transferred from the Commodity Credit Corporation to cover program costs.

Question: In this connection, are funds currently available for full indemnification of farmers whose flocks have been destroyed?

Answer: Funds are available to pay indemnities to farmers for the value of birds that must be destroyed to eliminate infection from premises where positive cases of avian influenza have been found. This rate is determined by the Secretary of Agriculture in consultation with the Economic Research Service. As of January 28, 1984, we have destroyed 258 diseased flocks and paid out $19.8 million in indemnities to the owners of these flocks.

Question: Does the Department have adequate resources to carry out a full indemnification program for those farmers whose flocks may have to be destroyed in the future?

Answer: Yes, the $61.7 million currently available includes $42 million for indemnity payments to farmers whose flocks are destroyed. This amount is sufficient to pay indemnity on the 560 flocks we estimate will be found infected with the disease.

Question: It is my understanding that the low pathogenic strain has been found in migratory birds. What steps are being taken to step up research efforts to deal with all aspects of this disease?

Answer: Migratory waterfowl have been shown to be asymptomatic carriers of some types of avian influenza. However, wildlife biologists and veterinarians have sampled over 3,000 birds in Pennsylvania and the Delmarva area and results to date show that waterfowl and other free-flying birds are not involved. Based on this thorough wildlife surveillance, experts have discounted the theory that wild birds are responsible for spreading this disease. Mice, rats, and hogs have also been sampled, and the virus has not been isolated from these species either. We have identified approximately 25 research studies which would provide a better understanding of avian influenza. The Agricultural Research Service and other scientists are currently carrying out a number of these research studies.

Question: It is my further understanding that avian influenza is affecting our exports and that some countries have placed restrictions against all poultry from the entire United States. How many nations have placed restrictions on U.S. poultry exports?

Answer: As of January 28, 1984, 13 countries have placed restrictions on U.S. poultry and poultry products. These restrictions have, in some instances, been placed just on the States in which avian influenza infected flocks exist, yet other countries have embargoed the entire United States. The countries are Canada, Switzerland, the Netherlands, Japan, Argentina, Brazil, Panama, Singapore, Mexico, Italy, France, Spain, and Colombia.

Question: How does this affect our balance of payments?

Answer: The loss of these exports is detrimental to our balance of trade. The total value of poultry, poultry products, and eggs exported to these countries from the entire United States was $173 million in 1982. Since some of these countries have only placed embargoes on the affected States, the total impact is somewhat less than $173 million.

[CLERK'S NOTE.—At the request of Senator Byrd, the following letters are being made a part of the hearing record:]

LETTER FROM RODNEY A. CRIDER, PRESIDENT, WEST VIRGINIA POULTRY ASSOCIATION

January 6, 1984

Hon. Robert C. Byrd,
Senate Hart Office Building,
Washington, D.C.

Dear Senator Byrd:

The sudden change of the low pathogenic (LPAI) strains of avian influenza to the highly pathogenic (HPAI) level is unbelievable, but as we all know in the United States poultry industry today, it is a frightening reality.

West Virginia's poultry industry is a very important aspect of the total agricultural economic picture within the State. Poultry realized approximately $55 to $60 million in 1983 for almost 25 percent of all moneys received from the sale of all poultry, livestock, and dairy products in West Virginia. West Virginia also contributes a good deal to the national poultry picture by ranking 17th in turkey production, 21st in broiler production, and 42nd in commercial egg production against all 50 States.

The avian influenza outbreak in Pennsylvania in April 1983, has not been contained and has broken out in New Jersey and the very near State of Virginia. There exists a real possibility that avian influenza may yet develop in West Virginia, due to the close proximity and association of West Virginia's poultry industry to Virginia's and even Pennsylvania's. We, in West Virginia, have been watching the large financial losses suffered by the poultry industry and farmers in particular, and are suggesting the eradication of low pathogenic (LPAI) and continued depopulation of the high pathogenic (HPAI) strains of the virus. We also would like to urge indemnity payments to either strain LPAI or HPAI of the virus, to curtail the demise and potential bankruptcy of the poultry industry as known today. We support indemnity payments, as well as disaster or emergency loans being made available if the situations arise.

We in the industry are thankful and greatly appreciative of the hard work and support given in the past, and urge continued support to this effort.

Sincerely,

Rodney A. Crider, President

LETTER FROM GUS R. DOUGLASS, COMMISSIONER, WEST VIRGINIA DEPARTMENT OF AGRICULTURE

January 6, 1984

Hon. Robert C. Byrd,
United States Senate,
Washington, D.C.

Dear Bob:

This is a briefing letter on the avian influenza problem affecting both poultry and turkeys in Pennsylvania, New Jersey, Maryland, and Virginia. This influenza is contagious and generally fatal to the turkey or poultry that are exposed to and contract this disease.

In Pennsylvania nearly 9,000,000 birds have been destroyed by the U.S.D.A., State, and military personnel. To this point, it appears that they have been ineffective. There are two strains of the avian influenza--high path and low path. To this point, only the hi path are being destroyed. It is my recommendation, based upon the conclusions of the professionals in the field, that any poultry, turkeys, etc., with avian influenza of either strain should be destroyed. This is going to cost money, but if we don't do something, the entire poultry and turkey industry in the United States may be jeopardized. My concern is for the nearly $100,000,000 industry that we have in West Virginia that could be wiped out, unless we control it in these other States.

Therefore, I urge your support to U.S.D.A. in its efforts to eradicate avian influenza, both monetarily and law changes if necessary. The market has already been disrupted. You may have already noted the increase in price for broilers and eggs and it can get considerably worse.

Again, your assistance and support is solicited, I am

Very truly yours,

Gus R. Douglass
Agriculture Commissioner